Final Report

Rancho San Pedro Redevelopment Feasibility Analysis

Prepared for:

The Housing Authority of the City of Los Angeles
Los Angeles City Council District 15

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with

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The Economics of Land Use

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I. Executive Summary

The Housing Authority of the City of Los Angeles (HACLA) in conjunction with the City of Los Angeles Council District 15 (CD 15) and the Mayor's Office of Economic Development, commissioned a consultant team led by Economic & Planning Systems (EPS) to prepare this feasibility study of the Highest and Best Use and Development Potential of the Rancho San Pedro public housing development (RSP project) located in the community of San Pedro. The purpose of this study is to begin exploring options for the potential rehabilitation, redevelopment, and/or disposition of Rancho San Pedro. The study is an initial exploratory step that could lead to a more extensive community outreach and eventually a developer solicitation process.

The waterfront location and proximity to Downtown San Pedro provide an intrinsic appeal for residential and commercial development at Rancho San Pedro, and San Pedro represents one of the last remaining underdeveloped waterfront areas in southern California. In part to capitalize on this opportunity, The Port of Los Angeles is engaged in a multi-year planning process to revitalize the San Pedro and Wilmington waterfront for non-industrial uses, which may generate up to $1 billion in public and private investment. This activity, coupled with positive market trends, have led to a number of new and proposed development projects in San Pedro.

Four revitalization scenarios were developed to explore the financial challenges associated with different approaches to revitalization. Each scenario complies with the San Pedro Draft Community Plan regarding land use, density, and building heights; maintains at least an equivalent number of affordable units as the 479 currently at Rancho San Pedro; and is evaluated assuming current market conditions. Three of the four scenarios represent a spectrum of on-site approaches ranging from a rehabilitation-only scenario that would retain and upgrade all existing units, to two scenarios that blend rehabilitation of some existing units with redevelopment and construction of new units. The fourth scenario combines rehabilitation of a number of on-site units, the construction of new market-rate units on-site, and the construction of replacement affordable units off-site.

Each of the four revitalization scenarios tested generate significant funding gaps, which range from $25 million for the rehabilitation-only scenario to $58 million for the onsite-redevelopment scenario that closely follows the uses, heights, and densities envisioned in the Draft Community Plan. The large funding gaps can be attributed to two primary factors:

1. More readily available financing tools do not fully cover the costs of rehabilitation or construction of affordable units, even with the successful use of new tools (RAD conversion) and long-time tools (4 percent Low Income Housing Tax Credits). Public housing revitalization and investment is more challenging now than it has been in recent decades as major federal programs to rebuild public housing, like HOPE VI, have lost funding entirely and the dissolution of California Redevelopment Agencies removed one of the strongest local funding sources for affordable housing.

2. While some market-rate uses, such as for-sale townhomes, generate surplus residual land value, current market rents and prices near Rancho San Pedro do not provide enough cross-subsidy to offset the financing gaps for the affordable units under any of the scenarios.

Making any of the revitalization scenarios feasible will require a substantial commitment from the City of Los Angeles to obtain competitive sources of affordable financing and/or substantial improvement in current market rents and values. Through its Affordable Housing Trust Fund and the allocation of its allotment of 9 percent tax credits, the City could fill a substantial portion of the identified funding gaps. This type of commitment is likely necessary to ensure sufficient core funding as well as to help leverage other funding sources and attract interest from third-party developers. In terms of market-rate development, the considerable ongoing and proposed investment in the LA Waterfront could lead to strong market improvement and generate substantially more land value from market-rate uses than is available today.

Once a source for or commitment to gap funding has been obtained, implementation of any revitalization effort will require careful outreach, planning, and stewardship. If the necessary interest and commitment are present from HACLA, CD15, and the City of Los Angeles, the next steps are to conduct a community outreach process to identify a supportable and feasible revitalization project. At that point, more detailed master planning, environmental review, and other work can be undertaken to obtain the necessary approvals from the City and HUD, to engage third-party developer(s) (if appropriate), to secure funding, and to proceed with revitalization.

II. SUMMARY FINDINGS

The Housing Authority of the City of Los Angeles (HACLA) in conjunction with the City of Los Angeles Council District 15 (CD 15) and the Mayor's Office of Economic Development commissioned this feasibility study of the Highest and Best Use and Development Potential of the Rancho San Pedro public housing development (RSP project) located in the community of San Pedro. The purpose of this study is to begin exploring options for the potential rehabilitation, redevelopment, and/or disposition of Rancho San Pedro. The New Community Plan for San Pedro, which is being finalized for adoption by the City Council, includes policy language identifying Rancho San Pedro as an "Opportunity Area", including policies encouraging a mix of household incomes and the use of public-private partnerships in revitalizing the RSP project.

Public housing revitalization has become increasingly difficult as major federal programs to rebuild public housing, like HOPE VI, have lost funding entirely and the dissolution of California Redevelopment Agencies removed one of the strongest local funding sources for affordable housing. The result, as discussed below, is the need for substantial, local commitment to any revitalization efforts.

It is critical to note that this feasibility study is an initial exploratory step that may lead to a more extensive community outreach process. At this time, HACLA and CD15 are looking to understand the development economics, financing options, and financial implications of different revitalization options. No commitments to any particular path of action has been made. HACLA and CD15, in conjunction with the community, will consider a number of issues, beyond financial feasibility, in selecting any path forward.

1. **The costs of any RSP revitalization effort under current market conditions will be substantial, requiring major funding from highly competitive sources.** This feasibility study assessed four revitalization scenarios that comply with the San Pedro Draft Community Plan, generate at least one-to-one replacement of affordable housing, and assume current market conditions. *Scenario 1* focuses on the rehabilitation of the existing 479 units. *Scenarios 2* and *3* envision a combination of rehabilitation of existing units, demolition and redevelopment of new affordable housing units, and the integration of market rate development adjacent to the waterfront, all within the existing boundaries of RSP. *Scenario 3alt* allocates more land at the RSP site to market-rate development and entails replacement of 128 affordable housing units off-site. Even after adjusting for available (non-competitive) funding tools such as RAD conversion and 4 percent tax credits, and the potential cross-subsidization from market rate development, the scenario funding gaps range from $25 million to $58 million.[1]

[1] While the RAD units currently authorized by Congress have been fully subscribed, HUD is encouraging Public Housing Authorities (PHAs) to continue submitting RAD applications as many expect Congress to expand the RAD program in the coming years.

Redevelopment Scenarios and Residual Values

	Scenario 1: Leveraged Rehab	Scenario 2: Lower Density Redevelopment	Scenario 3: Higher Density Redevelopment	Scenario 3alt: Higher Density Redevelopment with Offsite Affordable
Affordable Units (Onsite)	479	497	497	369
Affordable Units (Offsite)	0	0	0	128
Total Affordable	479	497	497	497
Market-Rate Units (Onsite)	0	44	151	267
Total Units	**479**	**541**	**648**	**764**
Project Cost (million)	-$81.9	-$122.6	-$171.9	-$231.9
Project Value (million)	$56.5	$84.3	$113.6	$177.3
Residual Value/Financing Gap (million)	**-$25.4**	**-$38.3**	**-$58.2**	**-$54.6**

2. **The integration of market-rate housing development could help support revitalization efforts, although it does not fully offset project costs at current market rates.** RSP's waterfront location and proximity to Downtown San Pedro present an intrinsic appeal for residential and commercial development, and San Pedro represents one the last remaining underdeveloped waterfront areas in southern California. The area in and around Downtown San Pedro has, however, been marked by challenges since the 1960s, and current market rates are lower than elsewhere in the City. New market-rate town home development provides the strongest value potential under current market conditions, but there is insufficient market support for denser residential products or substantial commercial uses, despite allowance under the San Pedro Draft Community Plan to expand density. Considerable planned new public and private investments for the LA Waterfront will change and improve market dynamics over time and eventually support a wider range of residential and commercial uses.

3. **The rehabilitation scenario (Scenario 1) requires the lowest overall investment, shows the lowest funding gap, and would result in the least change**. The rehabilitation scenario would involve substantial rehabilitation work to all existing units at an estimated overall cost of about $60 million or $125,000 per unit (when potential building acquisition costs are excluded). When non-competitive funding sources are included, the total funding gap is decreased to about $25 million or $53,000 per rehabilitated unit. The full rehabilitation revitalization scenario would require temporary re-location of residents during rehabilitation.

4. **The partial rehabilitation/redevelopment scenarios (Scenarios 2 and 3) that integrate market-rate housing and replace all affordable units on-site result in large funding gaps**. Under Scenarios 2 and 3, units in the western portion of the site (four blocks west of Palos Verdes Street) would all be rehabilitated, while units in the three blocks east of Palos Verdes Street and west of Beacon Street would be redeveloped with new, affordable town homes. The two water-facing parcels east of Beacon Street would be redeveloped with market-rate units under both scenarios, though with 44 units of for-sale town homes under Scenario 2 and 151 units of for-rent higher-density units under Scenario 3. The full suite of affordable housing units would be maintained on-site by redeveloping the new affordable units at higher densities than the units replaced. The overall funding gap, after non-competitive financing sources, is estimated at $38 million under Scenario 2 and

$58 million under Scenario 3. The substantial variance between scenarios is attributable to the fact that for-sale town homes in Scenario 2 generate a positive land value, while the higher-density residences in Scenario 3 require additional subsidy under current market conditions. Both Scenario 2 and 3 would require temporary re-location of RSP residents, some returning to rehabilitated units while others returning to the new town homes.

5. **Expanded market-rate redevelopment on-site (Scenario 3alt), which requires some replacement affordable housing off-site, also results in large funding gaps under current market conditions.** Under Scenario 3alt, as with Scenarios 2 and 3, the four blocks west of Palos Verdes Street would be rehabilitated, while market-rate units would be redeveloped on all five parcels east of Palos Verdes Street. As a result, 128 affordable units would be required off-site, while a total of about 267 market-rate residential units would be accommodated on-site. The overall funding gap in Scenario 3alt is still substantial at $54.6 million. The market-rate town home development in the three blocks between Palos Verdes and Beacon Streets (as compared with affordable units in Scenarios 2 and 3) provide positive land values, though off-site land adds substantial development costs as well as considerable challenges in finding and assembling a large and properly situated parcel in San Pedro or Wilmington. With the largest proportion of new market rate development, and as the only scenario that would require current residents to move off-site, Scenario 3alt would cause the most change in resident income mix and resident re-location.

6. **Closing the funding gaps to make revitalization scenarios financially feasible will require prioritization and commitment by the City of Los Angeles to direct funds towards RSP revitalization.** Closing the funding gaps on these scenarios will require substantial commitment on the part of the City of Los Angeles to allocate City affordable funding dollars to RSP revitalization and to support efforts to seek highly competitive State funding sources. Through its Affordable Housing Trust Fund and the allocation of its allotment of 9 percent tax credits, the City could fill a substantial portion of the identified funding gaps. Some level of City commitment to these approaches will likely be necessary to ensure a base level of funding to help leverage other funding sources and attract interest from third-party developers. Successful competition for State funding sources, such as the Affordable Housing Sustainable Communities Grant, could alleviate some of the pressure on City funding sources. The City could also support efforts to shift RAD contracts from RSP to other off-site affordable housing projects, bringing Project Based Vouchers to the RSP site and, with it, greater funding/financing capacity. Additional funding could also be available through City establishment of a Community Revitalization Authority within a community revitalization and investment area encompassing RSP under the recently passed AB 2.

7. **Once a source for or commitment to gap funding has been obtained, implementation of any of these scenarios will require careful outreach, planning, and stewardship.** This study represents an initial evaluation of the feasibility of RSP revitalization. The next steps, if the necessary interest and commitment are present from HACLA and CD15, are to conduct a community outreach process to identify a supportable and feasible revitalization project. At that point, more detailed master planning, environmental review, and other work can be undertaken to obtain the necessary approvals from the City and HUD, to secure funding, and to proceed with revitalization. Under certain revitalization

scenarios it will be important to engage third-party developer(s). Developer engagement can occur earlier or later in the process, depending on developer interest and the preferred timing to engage developer expertise.

III. INTRODUCTION

The Housing Authority of the City of Los Angeles (HACLA) in conjunction with the City of Los Angeles Council District 15 (CD 15) and the Mayor's Office of Economic Development is seeking a feasibility study of the Highest and Best Use and Development Potential of the Rancho San Pedro public housing development. The HACLA-owned 479-unit property includes a mix of one-bedroom to five-bedroom units and is located in the community of San Pedro. The property is in fair condition with infrastructure improvements and social hall expansions being planned/considered for next year.

The purpose of this study is to begin exploring feasible options for the potential rehabilitation, redevelopment, and/or disposition of Rancho San Pedro. The New Community Plan for San Pedro, which is being finalized for adoption by the City Council, includes policy language identifying Rancho San Pedro as an Opportunity Area. Policies for the revitalization of Rancho San Pedro include the provision of a mix of housing incomes and the use of public-private partnerships among others. HACLA has had prior success with mixed-income redevelopment efforts, including Dana Strand in Wilmington and Harbor Village in Harbor City.

The feasibility study is an initial exploratory step that will lead to a more extensive community outreach process. At this time, HACLA and CD 15 are looking to understand the development economics, financing options, and financial implications of different revitalization options. In addition, for feasible options, HACLA wishes to understand the next steps in the implementation process (as a complement to the intended outreach process) that would include an entitlement strategy, a financing strategy, and the clear articulation of roles and responsibilities under suitable public-private partnerships.

It is a unique time to be engaging in this effort. As the City of Los Angeles grows, the need for affordable housing for a broad range of income levels is increasing. At the same time, federal funds for maintaining public housing have plummeted and programs to rebuild public housing, like HOPE VI, have lost funding entirely. At the state level, the dissolution of Redevelopment Agencies removed one of the strongest local funding sources for affordable housing in California, and funding for other significant programs like the Multifamily Housing Program has been precarious. In this environment, public housing authorities (PHAs), other local jurisdictions, community organizations, and foundations are facing grater challenges and are having to be more innovative and creative than ever before to meet their goals.

Site Context

The HACLA-owned RSP project includes 479 housing units with a mix of one-bedroom to five-bedroom units and located on 19.9 acres in the community of San Pedro. The property is in fair condition with infrastructure improvements and social hall expansions being planned/considered for next year. The vicinity of Rancho San Pedro includes Downtown San Pedro due south, the World Cruise Center to the north, and a number of projects and amenities associated with the LA Waterfront project.

According to the Los Angeles Historic Resources Inventory, Rancho San Pedro is considered a Historic District, and recommended measures for preservation include retention of the integrity

of the location, design, and setting.[2] Scenarios 2, 3, and 3alt are discussed below, which envision demolition of substantial numbers of existing Rancho San Pedro units, and may be incompatible with this requirement and could trigger mitigation measures.

Possible mitigations required under a project EIR, which would be required as part of all but Scenario 1, could range from a requirement that a portion of the project be retained, or be as minimal as the creation of an interpretive history program featuring a publicly accessible photographic and videographic exhibit of the site. While the actual outcome of this process cannot be predicted, it is a risk entrepreneurial developers often assume. In order to be consistent with the likely assumptions of an entrepreneurial developer, the analysis incorporates costs associated with the lesser mitigation option.

[2] http://www.historicplacesla.org/reports/c666a805-5551-4d0a-85ce-ccdb0856ae57

Exhibit 1 Project Site and Surroundings

Source: Quatro Design Group

IV. *Existing Conditions Summary*

The feasibility analysis to follow builds upon findings from the previously submitted Existing Conditions Report, which can be reviewed in **Appendix D.** Key findings from this report include the following:

- **San Pedro's appeal to new residents is steadily growing**. As improvements to the LA Waterfront move forward, the Los Angeles region's economy continues to grow, and housing in other areas becomes increasingly expensive, San Pedro is receiving increased interest from potential new residents. The unique location on the LA Waterfront, an authentic downtown, a growing collection of retail and entertainment draws, and the relative proximity to the South Bay and downtown Los Angeles, all contribute to this growing appeal. Furthermore, San Pedro is one of the last underutilized waterfront areas in Southern California, and land values lower than those in other nearby waterfront cities may provide a cost-competitive alternative for developers and property investors.

- **This interest in San Pedro has translated into new housing development during the current real estate market upcycle**. During the current market upcycle, a number of new developments have occurred, are under way, or are seeking approval. Developers have focused on for-sale residential uses in particular, with projects in North San Pedro (Ponte Vista and Harbour Highlands) and downtown (LaTerra) totaling up to 850 single-family units. However, positive market trends have not yet attracted new development of denser rental products, such as five-story or higher developments

- **Continued investment in the LA Waterfront in San Pedro and Wilmington should also spur new commercial development.** The improving real estate market has not yet induced new hotel or (significant) new retail development—both land use types that typically depend on greater residential density and/or a larger day population than currently exists near Downtown San Pedro. However, continued public infrastructure and private developer investments as part of the LA Waterfront initiative should eventually create a critical mass of users and boost demand for waterfront and Downtown San Pedro residential, retail, and lodging uses.

- **Obtaining affordable housing funding is increasingly competitive**. HUD's RAD conversion program provides the opportunity to finance some rehabilitation/redevelopment costs, while the noncompetitive 4 percent tax credits also provides a significant source of funding. Beyond that, additional sources of funding are highly competitive. **Appendix D** provides an overview of affordable housing funding sources, though most pertinent for RSP are likely the potential for 9 percent tax credits, the opportunities to obtain vouchers for fair market rent, as well as selected grant programs. The commitment to successful pursuit/organization of these funding sources is critical, but also challenging.

- **The Draft Community Plan provides for a moderate increase in allowable density over existing code for parcels East of Beacon Street adjacent to Harbour Boulevard.** Designated as Community Commercial in this area, the proposed new code mandates mixed-use development and allows a height increase from 30 to 75 feet and a FAR of 4.0. However, as the two parcels East of Beacon contribute less than 8 percent of all RSP land area and

residential units, higher-density—and potentially higher-value—redevelopment scenarios may require a Specific Plan overlay or other mechanism to increase allowable density.

Exhibit 2 Regulatory Context

	Rancho San Pedro	Existing Code	Draft Community Plan
East of Beacon Street			
Acreage	1.51	1.51	1.51
Use	Multi-Family (36 units)	Multi-Family	Community Commercial[4]
Height Limit [1]	30 ft.	30 ft.	75 ft.
Density			
Residential [1]	23.9	29 du/ac[2]	4.0 FAR
Commercial	No	No[3]	4.0 FAR
Historic Resource Designation	No	No	No
West of Beacon Street			
Acreage	18.41		
Use	Multi-Family (443 units)	Multi-Family	Multi-Family
Height Limit [1]	30 ft.	30 ft.	30 ft.
Density			
Residential [1]	24.1	29 du/ac[2]	29 du/ac[2]
Commercial	No	No	No
Historic Resource Designation	Yes	Yes	Yes

(1) Without density bonus. Density bonus program increases permissable height to 45 feet, in exchange for provision of additional affordable housing; option is not compatible with the broader goals of this study.
(2) Estimate based on 1,500 Sq.Ft. minimum per dwelling unit and 30-foot height limit
(3) Although Community Design Overlay provides potential flexibility to increase FAR to 3.1 or 2-6 stories.
(4) Community Commercial is further defined as mixed-use and up to 75 feet height.

Source: LACP, Quatro Design Group

V. LAND USE PROTOTYPES AND KEY UNDERLYING ASSUMPTIONS

This section describes the land uses and key underlying assumptions used in the analysis to test options for rehabilitating and/or redeveloping the Rancho San Pedro site. The assumptions are built upon findings from the Existing Conditions Memo shown in **Appendix D** concerning market conditions, regulatory environment, planning and urban design factors, and sources of affordable housing funding below. For backing pro formas of each land use prototype, see **Appendix A**.

Market-Rate Uses

The analysis employs two land use typologies to explore the feasibility of market-rate redevelopment at Rancho San Pedro: 1) for-sale attached town homes, and 2) for-rent residential/retail mixed-use on a parking podium. Other market-rate uses could be developed at the site, but the tested uses represent the best fit, given current market, regulatory, physical, and financing conditions. (See Existing Conditions Memorandum in **Appendix D** for discussion of underlying site conditions.)

For-Sale Town Home

The for-sale town home use is a cost-effective typology that has been widely adopted throughout California in recent years. Each of the three recent San Pedro residential projects shown in **Exhibit 3** feature a large component of for-sale town homes. Furthermore, at a height of 30 feet, the town home prototype fits within the height limit permitted by the Draft Community Plan. Finally, unit density of 29 units per acre allows an increase in density over the existing RSP density of 24 D units per acre. See **Exhibit 4** for examples of recently constructed residential town home projects.

Exhibit 3 Recent San Pedro For-Sale Residential Development Activity

Building	Location	Type	Developer	Status	Units	AC	DUAC	Sq.Ft./ Unit
Name TBD	Downtown (W. 8th/S. Centre St.)	For-sale Attached Townhomes	LaTerra	Pre-construction	24	0.97	25	1,864
Ponte Vista	North San Pedro	For-sale mix of SFD and SFA	iStar	Grading	700	61.5	11	NA
Harbour Highlands	North San Pedro	For-sale Detached Townhomes	Standard Pacific	Completed 2015	133	9.6	14	~1,850

Sources: CoStar, newswire reports, literature search

Exhibit 4 Residential Town Home Example

Source: Quatro Design Group

For-Sale Town Home vertical development costs come to $462,000 per unit, based on an analysis of comparable projects and typical construction costs. Since 2013, town homes sold in San Pedro have averaged $285 per square foot, based on a set of 74 transactions indicated in **Exhibit 5.** The average age of units in this set is 29 years. A subset of 12 transactions limited to units constructed since 2013 shows average sale prices of $330 per square foot. Consequently, pricing of new for-sale town homes can be also be reasonably assumed at $330 per square foot. For the town home prototype, this yields an expected residual land value of $58 per land square foot (or $2.5 million per acre), as shown on the summary table on **Exhibit 10**. (See **Appendix A** for a full static pro forma description of the economics of this land use type.)

Exhibit 5 San Pedro Town Home Sales Comparables

Item	Yr Built	BR	Baths	Sq.Ft.	Sale Price	$/Sq.Ft.
San Pedro Townhome Sales						
Units Sold 8/13-7/15 (Set of 74)						
Average	1986	2.9	2.6	1,669	$476,889	$285
Median	1980	3.0	2.5	1,598	$456,000	$280
Constructed Since 2013 (Set of 12)						
Average	2014	3.0	2.5	1,832	$604,583	$330
Median	2014	3.0	2.5	1,800	$607,400	$334

Sources: Zillow, EPS

For-Rent Residential Mixed-Use Podium

The for-rent retail/residential mixed-use podium prototype has also been widely adopted throughout California, as it provides a relatively cost-efficient way to build at higher densities in urban infill environments. Parking in this prototype is typically addressed by means of a one-or two-story concrete podium. Residential units are built above the podium using less-expensive wood-frame construction. The prototype can support street-level retail or office uses for mixed-use development, which the Draft Community Plan Community Commercial designation specifies on the two RSP blocks facing Harbour Boulevard. At a height of 75 feet and an FAR of 3.2, the podium typology helps to take advantage of the density (up to 4.0 FAR) permitted by the Draft Community Plan. See **Exhibit 6** for examples of recently constructed mixed-use podium projects.

Exhibit 6 Mixed-Use Residential Podium Examples

Source: Quatro Design Group

For-Sale Mixed-Use podium vertical development costs come to $461,000 per unit, based on an analysis of comparable projects and typical construction costs. Market rates in San Pedro for two high-quality higher-density residential projects constructed before the Recession, as indicated in **Exhibit 7**, show average rents ranging between $1.50 for the San Pedro Bank Lofts, and $2.30 per square foot for the Vue (a luxury high-rise condo tower that went into foreclosure during the Recession and has since operated as a rental project). The Vue's rents represent the current top of market in San Pedro. Consequently, it is reasonable to assume that a new podium project could capture a similar top-of-market rent averaging $2.30 per residential square foot. At this rent, the mixed-use podium yields a negative land value of -$246 per land square foot, or -$10.7 million per acre, making it an infeasible land use type in the current market. (See **Appendix A** for a full static pro forma description of the economics of this land use type.)

By comparison, rents for Long Beach podium projects constructed in 2014 and 2015, as shown in **Exhibit 7,** average between $2.65 and $2.70 per square foot. These rents indicate a stronger residential market in Long Beach than San Pedro, one that currently supports new residential podium development.

Exhibit 7 Market-Rate Residential Rent Comps for Recent Projects

Item	Sq.Ft./Unit	Rent (1)	Rent/Sq.Ft.
The Vue (Downtown San Pedro)			
15-Story Highrise with structured parking built in 2008			
1 Bed	733	$2,032	$2.77
2 Bed	1,227	$2,588	$2.11
3 Bed	1,516	$3,380	$2.23
Average	1,111	$2,535	$2.28
San Pedro Bank Lofts (Downtown San Pedro)			
4-Story Midrise with subterranean parking built in 2007			
Studio	1,076	NA	NA
1 Bed	1,554	$2,300	$1.48
Average	1,150	$2,300	$1.48
Urban Village (1081 Long Beach Blvd., Long Beach)			
5-Story Midrise with structured parking built in 2015			
Studio	565	$1,665	$2.95
1 Bed	717	$1,913	$2.67
2 Bed	931	$2,509	$2.69
Average	752	$2,036	$2.71
The Lofts at Promenade (225 Long Beach Boulevard, Long Beach)			
5-Story Midrise with podium parking built in 2014			
1 Bed	804	$2,195	$2.73
2 Bed	1,247	$2,999	$2.40
Average	872	$2,319	$2.66

Source: CoStar, building websites
(1) As of June 2015

Affordable Uses

The analysis employs two land use typologies for testing affordable uses at the Rancho San Pedro site: (1) Leveraged Rehabilitation of existing RSP units, and (2) Affordable Town Homes.

Leveraged Rehabilitation of Rancho San Pedro

The Leveraged Rehabilitation of existing Rancho San Pedro units assumes rehabilitation of existing Rancho San Pedro units to a level that both addresses existing deferred maintenance needs and upgrades unit quality to a level required by tax credit investors. Estimated costs for the rehabilitation, which come to $171,000 per unit ($125,000 in improvement costs, with the remainder to book land value in order to secure debt), are based on an existing Physical Needs Assessment (PNA) study conducted on behalf of HACLA, which has been further modified by HACLA and CSG Advisors to add features required by tax credit investors. "Leverage" refers to the use of rent-supported debt to fund rehabilitation. (See **Appendix A** for a full static pro forma description of the economics of this land use type.)

Affordable Town Home

The Affordable Town Home typology—like the for-sale market-rate Town Home use—is a cost-effective typology for building at moderate densities. As with the market-rate version, the Affordable Town Home typology can be accommodated within the area of existing RSP parcels and the 30-foot heights mandated by the Draft Community Plan. In addition, Town Home uses are favored for affordable development because they typically provide a dedicated entry and a higher level of privacy than afforded by an apartment flat. The density of the Affordable Town Home use is 32 units per acre, which is higher than the market-rate version due to smaller units.

The analysis considers both on-site and off-site uses for this typology, which are identical except for the additional assumed land cost for the off-site variant. (Off site land costs will be discussed further below.) Town Home costs come to $306,000 per unit for on-site development (which does not include additional land costs), based on an analysis of comparable projects. (See **Appendix B** for a full static pro forma description of the economics of this land use type.)

Financing for Affordable Uses

Affordable housing uses require specialized financing to cover the gap between construction costs and below-market rents. The analysis considers two categories of financing for affordable uses: non-competitive and competitive sources of financing, which are summarized in **Exhibit 8**.

- **Non-Competitive Sources of Financing** include 4 percent Tax Credits, debt supported by RAD Rents (RAD conversion is assumed), and deferred fees. These non-competitive sources are typically available to support affordable housing on a per-unit basis. The analysis assumes that RAD-based rents provide approximately $8,700 and per unit of financing, and 4 percent Tax credits provide $63,300 per unit for rehabilitation and $116,200 per unit for new development.
- **Competitive Sources of Financing** are available in limited quantities and awarded on a competitive basis. These may include: Infill Infrastructure Grants, the financing capacity associated with fair market rents (FMR Rents), the allocation of 9 percent Tax Credits, and Affordable Housing & Sustainable Communities grants. The pool of competitive financing

sources totals approximately $64 million from which potential funding may be sought.

All competitive funding sources are competitive and/or will require substantial commitment and efforts on the part of the City of LA and HACLA. For example, the City of Los Angeles allocates the highly competitive 9 percent tax credit program and will need to prioritize RSP revitalization for this funding to be available. For the availability of Fair Market Rents through Section 8 vouchers, the City will need to facilitate the shifting of RAD contracts to existing or new off-site affordable housing development projects, a process that can take substantial time and effort. The grants are also highly competitive and the grant applications will require high levels of support by the City and other stakeholders.

(For more information of affordable housing financing sources, see the Existing Conditions Report in **Appendix D.**)

Exhibit 8 Sources of Affordable Housing Financing

Funding Source	Description	Level of Competition	Calculation	Potential Funding
Non-Competitive Funding Sources				
1. RAD Conversion *HUD-supported approach*	RAD conversion of units will provide funding for all scenarios. RAD contract rents will provide some excess funding to support development financing.	**Minimal/ None** Available to all units WITH HUD/HACLA approval	Appendix B for calcs	$8,700 per unit (funding through leveraging available RAD rents)
2. 4% LIHTC for All Rehab/ Development *Locally Controlled Federal Tax Credits*	4% Tax Credits are non-competitive and should be available for all new rehab/ redev. The amount of funding available is tied to the costs of development and so varies depending on development type.	**Minimal/ None** Sufficient 4% tax credits available for allocation to projects	Appendix D for calcs	$63,300 per unit (for Rehab) $116,200 per unit (for new Town Home)
Competitive Funding Sources				
3. 9% LIHTC for All Rehab/ Development *Locally Controlled Federal Tax Credits*	9% Tax Credits are highly competitive City has limited allocation of 9% Tax Credits so would need to prioritize for allocation the costs of development and so varies depending on development type. Requires committed funding from local sources.	**Highly Competitive** City must prioritize RSP	Appendix D for calcs	$23,000,000 total Assumes that RSP receives two (2) competitive allocations for developments of about 80 units each). Represents additional funding over-and-above 4% Tax Credits
4. Project-Based Vouchers/ Fair Market Rents *Locally Controlled, but complicated*	A complex process that would require City support to move RAD contracts from RSP to other affordable housing developments. Process effectively shifts more limited RAD contract rents off-site and replaces them with Project-Based Vouchers providing Fair Market Rent.	**Very Challenging** City must shift RAD contracts to other affordable housing units (shifts financing capacity from these other units to RSP)		$15,400,000 total Funding through leveraging available FMR rents; applied to 150 units.
5. State Funding Sources *State Control*	State funding sources are highly competitive. City/ HACLA must compete for these funding sources with other projects in the State. City will need to prioritize RSP to increase chances of success.	**Highly Competitive** City must prioritize RSP, but still uncertain		$0 - $12 million For new development project, $12 million possible if receive maximum allocation from both Affordable Housing and Sustainable Communities Program ("Cap and Trade") and Infill Infrastruture Grant Program For rehabilitation projects, Infill Infrastructure grants not available so maximum would be $8 million from "Cap and
6. City Affordable Housing Trust Fund *Locally Controlled*	City's Affordable Housing Trust Fund provides funding for rental affordable housing through a competitive process. City places funding from a range of sources in the AHTF.	**Competitive.** City must prioritize RSP.		$0 - $14 million project-wide City must prioritize RSP. Maximum per project funding is $14 million. Per unit limitation of $83,000 to $115,000 per unit depending on unit size and project type

Source: CSG Advisors and Economic & Planning Systems

Land Costs

Ground Leased Land

Per HACLA policy, all potential new redevelopment of Rancho San Pedro would be structured over a ground lease, allowing HACLA to retain ultimate ownership of the land. Markets often apply a value discount to development on ground-lease land, due to concerns with long-term asset appreciation, but the analysis assumes no such discount for both for-rent and for-sale units for several reasons.

In constrained market environments with extremely high demand, limited supply, and/or few alternative location sites, which the Los Angeles market increasingly resembles, development on ground-lease land can be feasible. The recent and ongoing success of the RiverPark project in the Cypress Park area of Los Angeles, featuring for-sale town home units on land owned by the Los Angeles County Metropolitan Transit Authority, presents strong evidence of potential feasibility of for-sale units on ground lease land. Phase 1 of the RiverPark project sold out in 2014 and 2015, and Phase 2, which is under construction, is pre-selling. The market rate for these units appears to be consistent with sales of fee-simple units in the area.

Off-Site Land Costs

Three of the four scenarios tested (Scenarios 1, 2, and 3) assume all Rancho San Pedro rehabilitation and/or redevelopment takes place exclusively on site on ground-leased land. Scenario 3alt, in contrast, proposes constructing some affordable units off-site, and so the analysis must also assume a cost for off-site land.

The land cost estimation is based on the parameters that offsite affordable units should be located in San Pedro or Wilmington to minimize the stress on re-locating tenants; and off-site land should accommodate approximately 130 units, which is an efficient scale for residential development and roughly equivalent to the size of HACLA's current Dana Strand Phase IV project. At an assumed density of 32 dwelling units per acre for Affordable Town Home units, a 130-unit development would require approximately 4 acres of land.

The analysis assumes an off-site land cost of $37 per square foot, which is a straight average of the comparable land sales transactions and Dana Strand Phase IV appraisal shown in **Exhibit 9.** It should be noted that this is only a broad approximation of land cost: while the comparables are the most recent and most applicable transactions from Wilmington and San Pedro, few truly analogous transactions are recorded because what little undeveloped "green-field" land exists is held (often long-held) by large market-rate developers or public entities. The transactions shown are thus mostly for smaller infill sites not zoned for residential development. Actually locating and assembling a large enough block of land for the proposed new units on the open market could result in a substantially higher land cost.

Exhibit 9 Land Cost for Off-Site Affordable Units

Address	Sq.Ft.	AC	City	Date	Price	$/Land Sq.Ft.	$/AC	Note
Comps								
1363 N Avalon Blvd (2 Properties)	22,128	0.51	Wilmington	Listed	$995,000	$45	$1,958,704	Zoned Commercial
336 W Opp St (in Multi-Property Sale)	7,492	0.17	Wilmington	9/11/2014	$177,500	$24	$1,032,021	At Wilmington Harbor Park
2836 Baywater Ave	12,196	0.28	San Pedro	9/3/2014	$535,000	$44	$1,910,840	Ocean View
1262 N Wilmington Blvd	6,882	0.16	Wilmington	5/21/2014	$250,000	$36	$1,582,389	Zoned Residential
255-295 W 8th St	33,602	0.77	San Pedro	1/6/2014	$2,360,000	$70	$3,059,389	Waterfront
1500 W Pacific Coast Hwy	219,978	5.05	Wilmington	8/16/2011	$7,625,000	$35	$1,509,901	Zoned Commercial
1159 W 3rd St (in Multi-Property Sale)	20,921	0.48	San Pedro	8/3/2009	$313,497	$15	$652,738	North San Pedro
New Dana Strand IV								
Appraised Land Value	240,451	5.52	Wilmington	9/13/203	$6,300,000	$26	$1,140,000	
Average						$37	$1,606,000	
High						$70	$3,059,000	
Low						$15	$653,000	
Assumed for Model						**$37**	**$1,606,000**	

Sources: CoStar, Loopnet, HACLA

Exhibit 10 Land Use Prototypes at Current Market Rents

Use	DUAC	Commercial Sq.Ft./AC	Height (Ft.)	Cost/Unit	Value or Affordable Financing/ Unit	Residual Value/ (Gap) per Unit	Residual Value/ (Gap) per Site Sq.Ft.
Market-Rate Residential							
Attached Row Houses (Sale)	29	0	30	$462,000	$549,000	$87,000	$58
MU Residental/Retail Podium (Rent)	100	3,500	75	$461,000	$354,000	($107,000)	($246)
Affordable Residential w/Non-Competitive Financing (1)							
Leveraged Rehab Existing RSP	24	0	<30	$171,000	$118,000	($53,000)	($29)
Attached Row Houses On-Site	32	0	30	$306,000	$138,000	($168,000)	($123)
Attached Row Houses Off-Site (2)	32	0	30	$356,000	$138,000	($218,000)	($160)

Source: Economic & Planning Systems, Inc., CSG Advisors

(1) Non-Competitive Financing includes use of 4% LIHTC equity, supportable debt at RAD rents, and deferred fees to offset construction costs.

(2) Offiste costs/unit are computed by adding offsite land cost estimated at $37 per land square foot (from EPS comps analysis) to the onsite unit development cost.

VI. REVITALIZATION SCENARIOS

Four program scenarios have been designed to explore the economics of redeveloping Rancho San Pedro to reflect a plausible range of options given current market, regulatory, physical, and policy parameters.

While many of these parameters could evolve over time—perhaps even due to the catalytic impact of a transformational project like the redevelopment of Rancho San Pedro—the scenarios purposely avoid speculative assumptions about future market rents, non-conforming land uses, and changes in City and Housing Authority policy regarding provision of affordable housing.

The four program scenarios reflect the following assumptions:

- Development costs, financing rates and sources, potential rents, and potential sale prices are based on current market measures as of mid-2015.
- Land uses, densities, and building heights follow guidelines set by the San Pedro Community Plan (Draft August, 2012)
- There is no net loss in the number of affordable housing units provided by the scenario (although both on-site and off-site replacement of existing units is considered).
- Mixed-income development, with housing options for a range of income levels, is featured for all scenarios proposing redevelopment of existing units.

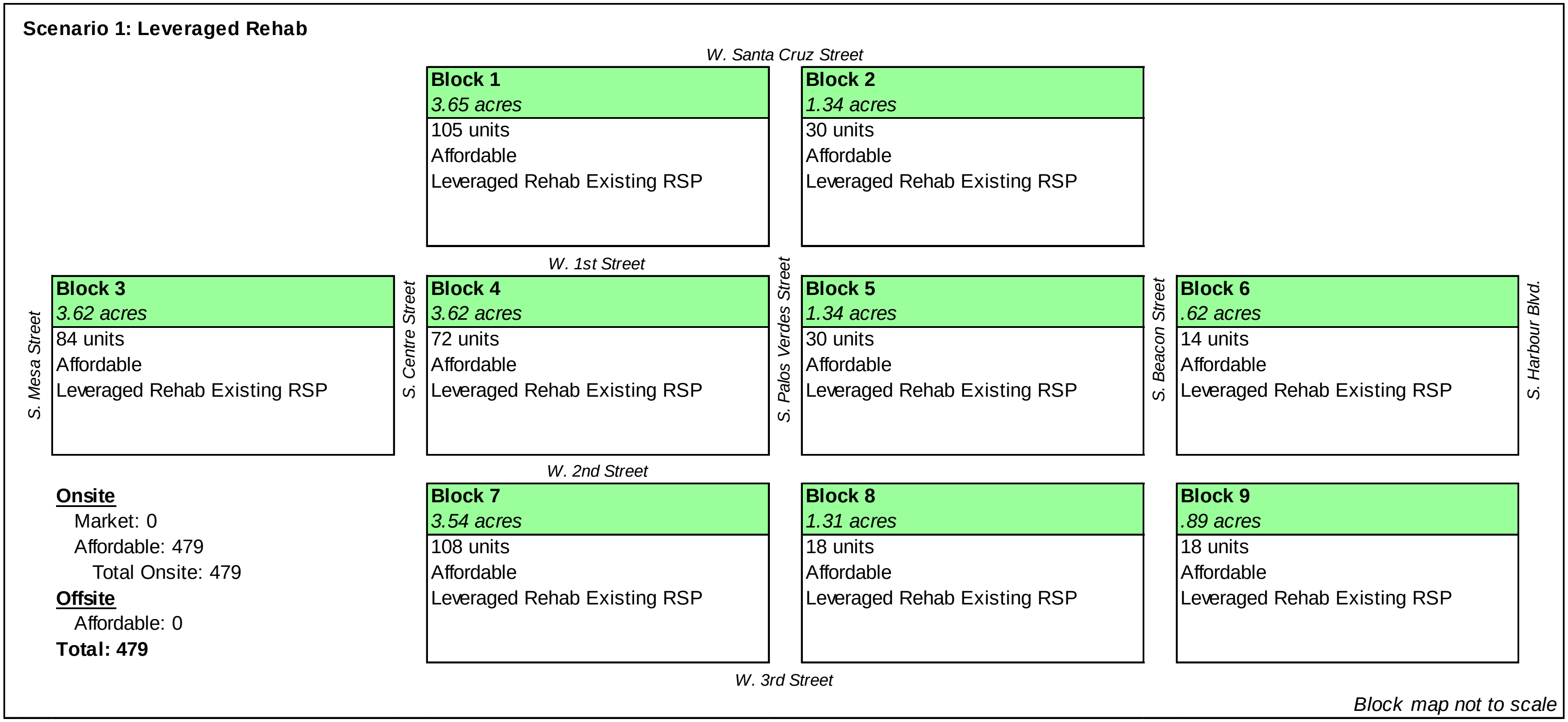
The four scenarios are described in greater detail below. A further breakdown of Scenario economics may be found in **Appendix B.**

Scenario 1:	**Rehabilitate RSP**
Scenario 2:	Redevelop RSP at Lower Density
Scenario 3:	Redevelop RSP at Higher Density
Scenario 3alt:	Redevelop RSP at Higher Density with Offsite Affordable Units

Scenario 1: Rehabilitate Rancho San Pedro

Scenario 1 entails rehabilitating Rancho San Pedro in accordance with the Modified Physical Needs Assessment (PNA) prepared by HACLA and CSG Advisors. Scenario 1 represents the lowest aggregate cost with the fewest implementation hurdles of all scenarios tested. As such, Scenario 1 provides a baseline of potential HACLA expenditures against which other scenarios may be compared. In Scenario 1, all 479 existing affordable units are retained.

Exhibit 11 Scenario 1: Leveraged Rehab



Scenario 2: Lower Density Redevelopment

Scenario 2 describes the highest and best use for RSP land under current market conditions within development envelope permitted by the Draft Community Plan while also replacing all lost affordable units on site. "Lower Density" refers to the use of for-sale Town Home units on parcels 6 and 9; the Draft Community Plan allows much higher density on these parcels (up to 75 feet in height and 4.0 FAR, compared with 30 feet and 1.15 FAR for the Town Homes), but for-sale Town Homes yield the highest residual land value under current market conditions among prototypes tested and thus represent the use with the highest level of potential "value capture" that could be used to subsidize new affordable housing. To implement, the scenario would require substantial coordination with existing residents and careful phasing of development to manage the temporary re-location of existing tenants.

Scenario 2 entails rehabilitating 369 existing RSP units on Blocks 1, 3, 4, and 7; redeveloping Blocks 2, 6, and 8 with 128 Affordable Town Homes, and redeveloping Blocks 8 and 9 facing Harbour Boulevard with 44 market-rate Town Home units. In total, Scenario 2 includes 497 affordable units and 44 market-rate units for a total of 541 units, reflecting an increase of 62 units and a bump in density (from 24 to 27 dwelling units per acre) over existing Rancho San Pedro.

Exhibit 12 Scenario 2: Lower Density Redevelopment Plan

Scenario 2: Lower Density Redevelopment

W. Santa Cruz Street

	S. Mesa Street		*S. Centre Street*		*S. Palos Verdes Street*		*S. Beacon Street*		*S. Harbour Blvd.*
			Block 1 *3.65 acres* 105 units Affordable Leveraged Rehab Existing RSP		**Block 2** *1.34 acres* 43 units Affordable Attached Row Houses On-Site		Leveraged Rehab Redevelop: Affordable Redevelop: Market-Rate	
W. 1st Street									
		Block 3 *3.62 acres* 84 units Affordable Leveraged Rehab Existing RSP		**Block 4** *3.62 acres* 72 units Affordable Leveraged Rehab Existing RSP		**Block 5** *1.34 acres* 43 units Affordable Attached Row Houses On-Site		**Block 6** *.62 acres* 18 units Market Attached Row Houses (Sale)	
W. 2nd Street									
		<u>Onsite</u> Market: 44 Affordable: 497 Total Onsite: 541 **<u>Offsite</u>** Affordable: 0 **Total: 541**		**Block 7** *3.54 acres* 108 units Affordable Leveraged Rehab Existing RSP		**Block 8** *1.31 acres* 42 units Affordable Attached Row Houses On-Site		**Block 9** *.89 acres* 26 units Market Attached Row Houses (Sale)	

W. 3rd Street

Block map not to scale

Figure 1 Scenario 2 Conceptual Master Plan

Scenario 3: Higher Density Redevelopment

Scenario 3 is identical to Scenario 2 except that a higher-density use—a Mixed-Use Residential Podium—is assumed for Blocks 6 and 9. The podium land use more fully exploits the permissible development envelope envisioned in the Draft Community Plan than the Town Home use in Scenario 2. The 75-foot height of the podium reaches the Community Plan limit, while the 3.2 FAR comes closer to the permitted maximum of 4.0. While the current market does not support rents necessary to construct such a higher-density product, improvement in future market rents could make this use feasible. To implement, the scenario would require substantial coordination with existing residents and careful phasing of development to manage the temporary re-location of existing tenants.

In Scenario 3, the 369 existing RSP units on Blocks 1, 3, 4, and 7 are rehabilitated, Blocks 2, 6, and 8 are redeveloped with 128 Affordable Town Homes, and Blocks 8 and 9 facing Harbour Boulevard are redeveloped with 151 market-rate for-rent mixed-use podium units and 7,000 square feet of street-level retail. In total, Scenario 3 includes 497 affordable units and 151 market-rate units for a total of 648 units, reflecting an increase of 169 units and a bump in density (from 24 to 33 dwelling units per acre) over existing Rancho San Pedro.

Exhibit 13 Scenario 3: Higher Density Redevelopment

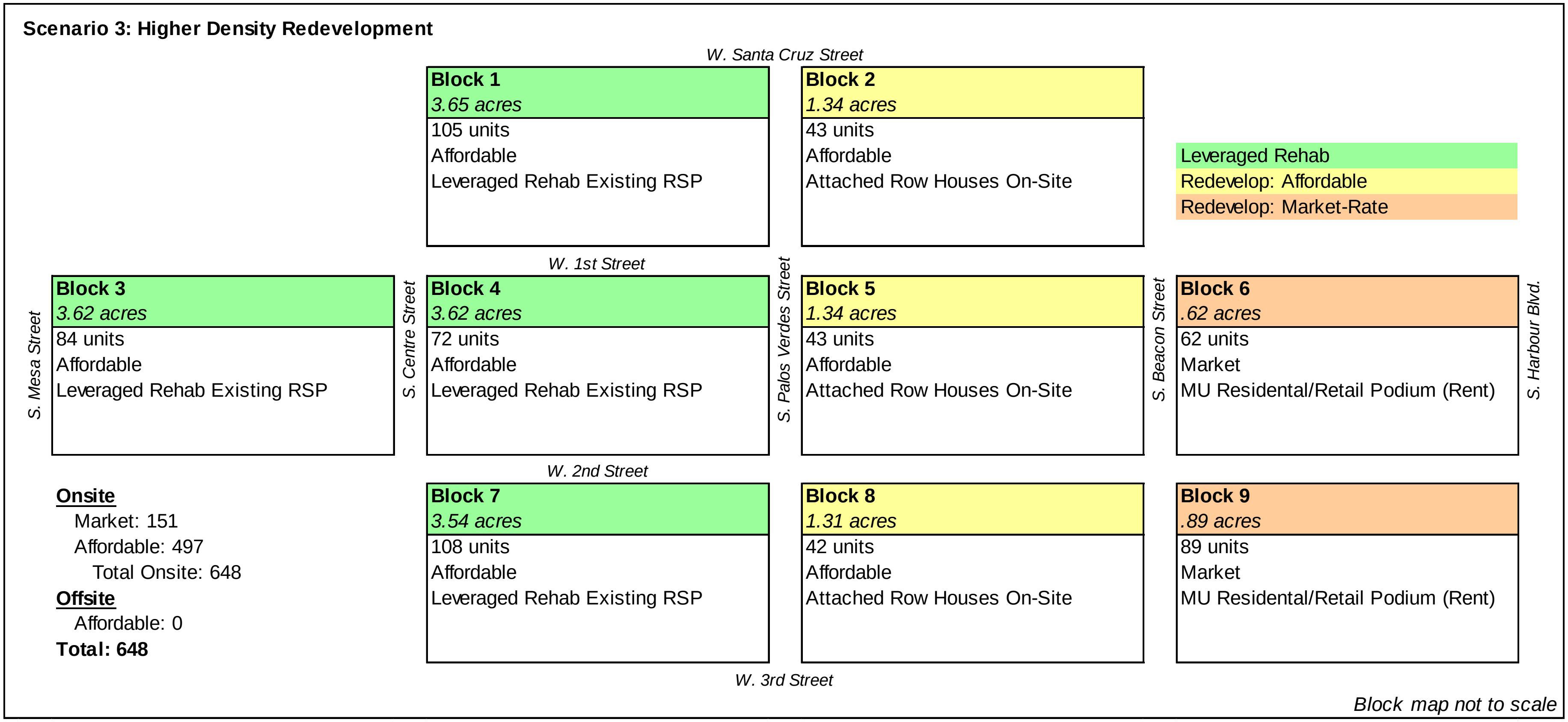


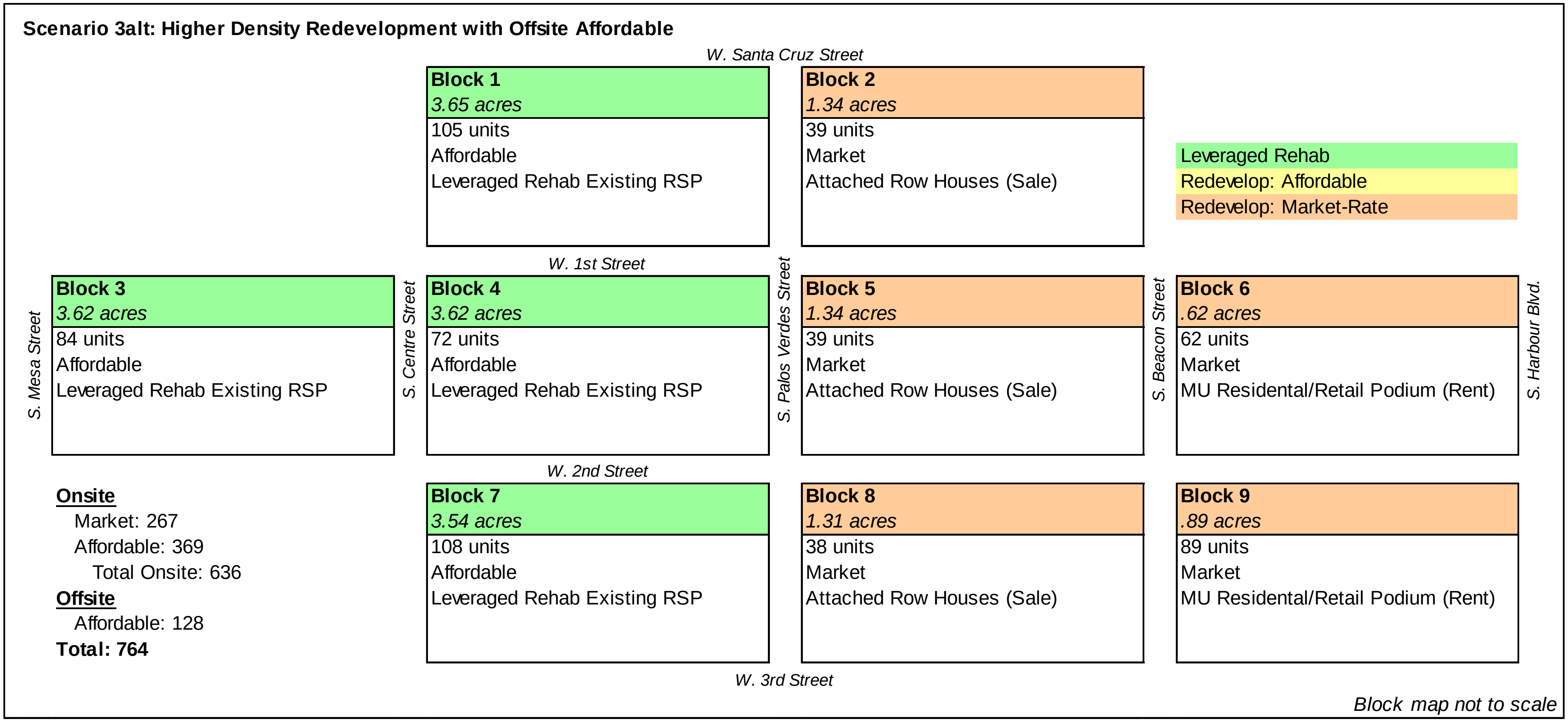
Figure 2 Scenario 3 / Scenario 3alt Conceptual Master Plan

Scenario 3alt: Higher Density Redevelopment with Offsite Affordable

Scenario 3alt is similar to Scenario 3 except that 132 out of 479 total affordable units are located off-site, and market-rate units are developed in their place on site. This scenario explores the potential to capture the difference between onsite and offsite land value, thereby providing greater potential “value capture” that could be used to offset project costs. To implement, the scenario would require substantial efforts to identify sites and/or buildings that could provide the necessary off-site affordable housing. It would also require substantial coordination with existing residents and careful phasing of development to manage the temporary re-location of existing tenants smoothly.

In Scenario 3alt, the 347 existing RSP units on Blocks 1, 3, 4, and 7 are rehabilitated, Blocks 2, 5, and 8 are redeveloped with 116 for-sale Town Homes, and Blocks 6 and 9 facing Harbour Boulevard are redeveloped with 151 market-rate for-rent mixed-use podium units and 7,000 square feet of street-level retail. Furthermore, 128 additional Affordable Town Home units are developed off-site at a hypothetical location. In sum, Scenario 3alt includes 369 affordable units and 267 market-rate units for a total of 636 units on-site and 128 affordable units off-site, a total of 764 units reflecting an increase of 285 units over existing Rancho San Pedro.

Exhibit 14 Scenario 3alt: Higher Density Redevelopment with Offsite Affordable



VII. SCENARIO EVALUATION

Each of the four scenarios was evaluated to determine potential funding gaps or surplus. (Back-up analysis for each Scenario may be found in **Appendix B.**) The scenario analyses consider:

1. **Market Rate Development**. The residual land value associated with the market rate product is based on the pro formas in **Appendix A**. This residual land value represents the potential level of "value capture" from the market-rate development and is assumed to be available for re-investment in the project to subsidize the necessary affordable housing development. For market-rate housing, residual land value analyses are estimated based on current market conditions.

2. **Affordable Housing Development**. The cost of affordable housing development is compared with estimates of the potential level of funding from non-competitive funding sources to derive a funding gap. (Potential competitive sources of funding, which could help close the funding gap, are shown separately.) This funding gap represents the level of funding required from other sources to support new affordable development. For on-site affordable housing development, it is assumed that the land is available at no cost. For off-site housing development, it is assumed that land will be purchased at market rates.

The outputs from each scenario analysis provide a total funding gap (or surplus) that reflects the funding gap associated with affordable housing redevelopment/rehabilitation net of any residual land value generated by the market rate development. The funding gap indicates the additional level of funding the City of Los Angeles and HACLA would need to be able to fund each scenario.

Exhibit 15 shows the total funding gap for all four scenarios assuming use of non-competitive affordable financing. In addition, potential scenario financing from competitive sources, which may be used to offset the funding gap, are shown. Key findings from the analysis are as follows:

- **Under current market conditions employing only non-competitive affordable sources financing, the funding gap for all scenarios is substantial.** Without substantial funding from the potentially available competitive affordable housing financing sources, the funding gap ranges from $25 million for the leveraged rehabilitation scenario to $58 million for the higher-density redevelopment scenario.

- **Strong and successful pursuit of competitive affordable housing financing sources could substantially reduce funding gaps.** Two 9 percent tax credit allocations, the successful conversion of 150 housing units to Fair Market Rent (converting to RAD and then shifting the RAD contracts to units off-site), as well as the receipt of full Infill Infrastructure and Affordable Housing, Sustainable Communities grants, and grants from the City's Affordable Housing Trust Fund, represent a pool of up to $64 million in gap financing. However, all such sources are highly competitive and require significant support from the City of Los Angeles (and possible prioritization over other worthy projects) to obtain.

- **The combination of substantial competitive affordable housing financing and improved future market conditions could eventually result in financial feasibility for redeveloping Rancho San Pedro.** Hundreds of millions of dollars of public and private investment in the LA Waterfront area could over time significantly improve market conditions

near Rancho San Pedro, and the resulting rent growth relative to construction cost would increase the amount of subsidy provided by market-rate units. Coupled with success in competitive affordable financing to offset affordable development costs, the financing gap under these conditions could be lowered enough so as to allow feasible scenario redevelopment.

- **Development of off-site affordable units in Scenario 3alt, which allows more market-rate units to be developed on the RSP site, produces only marginal improvement over the all-onsite option.** At current market rates, the feasibility gap of $54 million for the off-site option improves upon the on-site option by less than three million, and would likely require a long and risky land assembly process to consolidate an acceptable development parcel. However, if future market conditions around Rancho San Pedro improve greatly, and land value on the site grows accordingly, the differential value between on-site and off-site land may be large enough to warrant this option.

Exhibit 15 Summary of Scenario Findings and Potential Gap Financing Options

	Scenario 1: Leveraged Rehab	Scenario 2: Lower Density Redevelopment [1]	Scenario 3: Higher Density Redevelopment [1]	Scenario 3alt: Higher Density Redevelopment with Offsite Affordable [1][2]
Residual Land Value/Financing Gap (from Non-Competitive Affordable Financing Sources)				
Project Cost (million)	($81,909,000)	($122,595,000)	($171,878,000)	($231,870,000)
Project Value (million)	$56,522,000	$84,338,000	$113,636,000	$177,320,000
Residual Value/Financing Gap (million)	**($25,387,000)**	**($38,257,000)**	**($58,242,000)**	**($54,550,000)**
Potential Additional Financing from Competitive Sources				
9% LIHTC [4]	$23,000,000	$24,000,000	$24,000,000	$24,000,000
Project-Based Vouchers/Fair Market Rents [5]	$15,400,000	$15,400,000	$15,400,000	$15,400,000
Infill Infrastructure Fund [6]	$0	$4,000,000	$4,000,000	$4,000,000
Affordable Housing/Sustainable Communities Grant	$8,000,000	$8,000,000	$8,000,000	$8,000,000
City Housing Affordable Trust Fund [8]	$14,000,000	$14,000,000	$14,000,000	$14,000,000

[1] Market Rate Assumptions	$/Sq.Ft.	$RLV/ac
Attached Row Houses (Sale)	$330	$2.5 m
MU Residental/Retail Podium (Rent)	$2.30	-$10.7 m

[2] Offsite land cost an assumed $37 per square foot.
[3] Non-Competitive Affordable Financing includes: 4% LIHTC equity, supportable debt at RAD rents, deferred fees
[4] Value for 9% LIHTC based on two allocations of 150 units each; nets out the difference between 4% and 9% credits
[5] Based on assumed 150 unit allocation; value of debt supported by Fair Market Rent vouchers; nets out the difference with debt at RAD Rents
[6] $4 million possible if receive maximum allocation from Infill Infrastruture program (not available for rehabilitation projects).
[7] $8 million possible if receive maximum allocation from both Affordable Housing and Sustainable Communities Program ("Cap and Trade")
[8] City must prioritize RSP. Maximum per-project funding is $14 million.

VIII. *Implementation Steps and Strategies*

Overview of Implementation Steps

Implementation of any rehabilitation/redevelopment scenario will need to address a number of key issues and pass through a number of steps. These steps can be divided into four parts and 14 key steps as indicated below. It is important to note that some variation in the ordering of these steps may be appropriate depending on the preferred scenario and the preferred timing of third-party developer(s) engagement if appropriate.

Part A: Identify Preferred Revitalization Scenario

1. Ensure basic institutional support for concept and base funding.
2. Identify pre-development roles, responsibilities, and funding.
3. Conduct community engagement process.
4. Develop a preferred revitalization scenario

Part B: Obtain Entitlements for Viable Revitalization Project

5. Develop Master Plan
6. Conduct environmental analysis/plan refinements
7. Conduct due diligence (including refined funding analysis)
8. Conduct developer outreach
9. Identify landowner (HACLA) expectations
10. Obtain City/Environmental approvals for Master Plan/Revitalization Project

Part C: Secure HUD Approvals, Engage Developer(s), and Secure Funding

11. Secure RAD reservation and other HUD approvals (conversion occurs at financial closing of each phase)
12. Identify private sector/third parties as appropriate (contractor/developer).
13. Secure additional rehabilitation/redevelopment funding, tax credits, and other mechanisms.

Part D: Conduct Revitalization Project

14. Conduct rehabilitation/redevelopment and associated activities consistent with Master Plan.

The complexity and specifics of each of these implementation steps is highly dependent on the specific Revitalization Scenario selected. The paragraphs immediately below summarize the four major parts of the implementation process, while the sections below provide more detailed descriptions of each of the implementation steps and how they would vary under different revitalization scenarios.

Part A (steps 1 to **4)** are designed to determine the preferred Revitalization Scenario based on community engagement and commitments from HACLA and the City of Los Angeles. If the basic conditions for selecting and moving forward with a Preferred Revitalization Scenario are not met, then the process would end at that point.

Part B (steps 5 to **10)** represent the set of steps necessary to finalize a Master Plan for RSP revitalization, to further test project viability, and to obtain approvals for the revitalization project. The level of complexity in developing the Master Plan, passing environmental review, and obtaining necessary approvals will depend on the level of redevelopment associated with the preferred Revitalization Project and the associated extent of approvals required for project entitlement. This set of steps also includes developer outreach and due diligence to ensure a viable Revitalization Project as well as specification from the landowner (HACLA) in terms of expectations in terms of land disposition and partnerships. Developer outreach, indicated in **step 8**, as well as developer selection, indicated in **step 11**, could be moved forward to earlier in Part B, or even in Part A, if HACLA and the City see benefits from having a development partner earlier in the process.

Part C (steps 11 to 13) includes the final critical steps prior to Revitalization Project development. **Step 11** involves the process of obtaining HUD approval for the RAD conversion of the existing housing units. **Step 12** represents the solicitation and negotiation process with third party developers/contractors, with variation depending on the nature of the Revitalization Project, the types of rehabilitation/redevelopment activities required, and landowner preferences in terms of third party engagement/partnering. It is important to note that HACLA may decide to conduct this development engagement and selection step earlier in the process to engage development expertise early in the entitlement process. **Step 13** conducted in conjunction with the development partner is the critical step of obtaining the necessary funding for the Revitalization Project, either by phase or in totality.

Part D (step 14) is the final, multi-pronged step including the full suite of necessary actions to rehabilitate and/or redevelopment RSP consistent with the approved Master Plan/Revitalization Project. This includes managing the temporary re-location of residents if necessary, the identification, acquisition, and development of new sites for off-site affordable housing development if necessary, the demolition of any existing units if appropriate, the rehabilitation of existing units, and the development of new housing.

Detailed Implementation Steps and Options

Part A: Identify Preferred Revitalization Scenario

1. Ensure Basic Institutional Support for Concept and Base Funding

To be successful any revitalization scenario will require strong commitment and support from the City of Los Angeles, HACLA, HUD, and the community (see below). In addition to a commitment to collaboration, the size of the funding gaps and the uncertainty of the funding sources highlights the importance of securing a base level of funding (and funding assurances) early in the process. While there is a range of funding sources that will need to be tapped for successful implementation, early commitments from the City of Los Angeles will likely be critical. In particular, significant allocation(s) from the City of Los Angeles' Affordable Housing Trust Fund (AHTF) will be necessary to signal the ability to close part of the funding gap early on and to increase project competitiveness for other funding sources. Strong upfront support from the City for prioritizing the allocation of 9 percent tax credit allocations to RSP revitalization, as well in pursuing State and federal funding sources, will also be critical.

2. Identify Pre-Development Roles and Responsibilities

HACLA and the City of Los Angeles will need to determine their specific roles in overseeing the pre-development process. As landowner and steward of public housing, there will be specific roles for HACLA and, as funder and regulator, there will also be specific roles for the City of Los Angeles. However, in the early phases, it will be important to determine the individual/collective roles of these public agencies in overseeing the community engagement process, and, to the extent a preferred Revitalization Scenario is identified, overseeing the environmental review and broader approval process. The level of staffing to be committed to these efforts should be identified as should sources of pre-development funding for potential outside consultants and other necessary efforts (e.g. for Master Plan development/environmental review).

3. Conduct Community Engagement Process

HACLA and/or the City will need to develop a community engagement process that will engage RSP residents and the broader San Pedro community in a discussion about potential Revitalization Scenarios. These discussions should build off the discussions HACLA and the City have already been having with the same communities and seek appropriate feedback to support the selection of a Preferred Revitalization Scenario. Key steps in the community engagement process include:

i. Develop community engagement plan. HACLA and CD15 outreach experts, potentially working with an outside consultant, will develop a community engagement plan appropriate for the specifics of the RSP project and the San Pedro community. The specific set of outreach tools (large and small group stakeholder meetings, bulletins, on-line, social media engagement, etc.) should be tailored to the community.

ii. General goals of the community engagement plan.

(1) Provide information on purpose of engagement effort;
(2) Elicit community feedback on opportunities for physical improvements and preferences for development types and designs;
(3) Propose revitalization options and obtain feedback;
(4) Present refined ideas and options; and
(5) Determine if support for particular revitalization options.

iii. Ongoing Community Engagement Needs

Any revitalization effort will include a number of additional implementation steps carried out over time (see below). Community outreach and engagement throughout this process will be important and the community engagement plan should broadly address this issue also.

4. Develop a Preferred Revitalization Scenario

If steps 1 through 3 point to a supported Revitalization Scenario, public agency staff or consultant should outline this scenario. This would include identifying the recommended level and locations for rehabilitation and redevelopment, the amount of market rate development to

be included on the site, and the degree to which housing (if redeveloped) would be replaced on- or off-site. A conceptual site plan along with expected development prototypes, densities, and heights should also be indicated.

Part B: Obtain Entitlements for Viable Revitalization Project

5. Develop Master Plan

City staff and/or consultants would develop a Master Plan for the site, including the necessary components for environmental review and the broader entitlement process. The Master Plan should also be able to convey the vision for the site to stakeholders, public agency staff, and potential contractors/developers. The Master Plan should also indicate the likely phasing for revitalization.

6. Environmental Review / Master Plan Refinement

City staff and/or consultants would conduct the necessary environment review of the Master Plan under the California Environmental Quality Act (CEQA) and other relevant statutes. Changes in trip generation, building height, and viewsheds will all likely need to be reviewed and studied if the Master Plan proposes changes. The historic designations of a significant collection of the existing buildings will also need to be addressed, potentially adding time and cost to the entitlement/development process. The level of environmental review will be closely tied to the specifics of the proposed Master Plan/Revitalization Project, the degree of physical change proposed, and the consistency of the proposal with draft New Community Plan for San Pedro. All of the revitalization scenarios considered in this report are consistent with the proposed land use designations/height limits included in the draft New Community Plan. The environmental review process may lead to the need for refinements in the preferred plan or specific mitigation measures to be included during development.

7. Developer Outreach

During the early stage of Part B of the implementation process, it would be helpful to conduct preliminary outreach to potential developers. There are a range of not-for-profit and private developers who could play a role in undertaking RSP revitalization. The appropriate developer (or set of developers) will depend on the selected/preferred revitalization scenario. At this stage, interviews with developers can be used to help ensure that there will be ultimate developer interest, to help identify key issues that will affect the economics of the development (including phasing, funding, and other challenges), and to gain an upfront understanding of partnership opportunities and the implications of different disposition approaches. These interviews could also inform the decisions as to the appropriate timing to bring in third parties (developers) into the revitalization process. As noted above, developer outreach and engagement could be brought forward in the process, if appropriate, to engage the development partner in the entitlement and plan development process.

8. Additional Due Diligence / Funding Plan

In conjunction with the master planning and environmental review processes, additional due diligence should be conducted. In particular, as project definition becomes more specific, more detailed financial feasibility analysis should be conducted that compares estimates of expected development costs with non-competitive (more assured funding) as well as other sources of

competitive funding. This will be critical to defining the level of local funding commitment that might be necessary to move forward with Master Plan implementation as well as the overall funding plan. In addition, further outreach to HUD may be appropriate to ensure the proposed revitalization project is consistent with their rules and requirements.

9. Landowner Preferences

As landowner, HACLA, will need to define its preferences concerning the potential disposition of land to potential third-party developers (as well as the roles and responsibilities of each as discussed further below). At this point, it will be important for HACLA to indicate its preliminary preferences, such as continued fee ownership of land with ground leases to third party developers (or sale of land).

10. Obtain City/Environmental Approvals

At the completion of the approval, environmental review, and entitlement process, the necessary City approvals should have been obtained to move forward with the project.

Part C: Secure HUD Approvals, Engage Developer(s), and Secure Funding

11. Secure Reservation for RAD Conversion

RAD conversion of RSP units is expected to be a key component under most/all future revitalization scenarios. HACLA will need to submit a multi-phase RAD application to HUD to secure a reservation of RAD units, which would ultimately be converted upon financial closing of each phase. This will support the use of RAD contracts to contribute to the rehabilitation/redevelopment financing, will allow HACLA to demolish and dispose of units/land as appropriate, and provide the opportunity to transfer RAD contracts to other affordable housing projects (bringing project based vouchers to the RSP units). HUD's current rules would not permit relocation or demolition prior to the closing of each phase, so it will be important to develop relocation/demolition phasing strategies that take this into account and/or secure HUD approvals for early relocation/demolition. Such approvals have thus far been unavailable.

It should also be noted that the 185,000 RAD units currently authorized by Congress have been fully subscribed, and over 6,000 units are on a wait list maintained by HUD. It is expected, however, that the wait listed projects will ultimately receive RAD reservations as other projects are deemed infeasible or fail to make progress on required milestones. In the meantime, HUD is encouraging Public Housing Authorities (PHAs) to continue submitting RAD applications, as many expect Congress to expand the RAD program in the coming years, and potentially remove the RAD cap entirely.

12. Solicit and Engage Development Partner

The precise role of a third-party developer will depend on the specifics of the revitalization project as well as preferences of HACLA in terms of their role in the development process. The development community can be engaged in a range of ways from, at one end, a fee-basis to conduct rehabilitation of public housing to, at the other end, acquisition, ownership, financing, development (of affordable and/or market rate development), and operation of the site. In addition to the specifics of the Master Plan that will identify the degree of rehabilitation and redevelopment (and the type of redevelopment) as well as the potential phasing, there are a

number of factors that will affect the appropriate role for a development partner(s) described below:

- HACLA preferences in terms of development roles and responsibilities – HACLA's interest in managing development, engaging in development risk in exchange for potential returns, and other considerations will affect the .
- HACLA preferences in terms of disposition of land - HACLA could choose to engage developers on a fee-basis only (without any disposition), to ground lease all or a portion of the RSP site to development partner(s), and/or sell a portion of the site to a development partner.
- Capabilities of interested developers and their interest in undertaking the whole revitalization project or portions of it.
- HUD rules concerning the long-term operations of rental units under RAD/Project-Based Voucher contracts.

Based on these considerations and the determinations of the appropriate role for development partners, HACLA and the City would engage in a solicitation and selection process to select a development partner. There are different processes for soliciting and selecting development partners, though, for complex projects, the process typically includes one of the following approaches:

- **RFQ-based Selection**. HACLA and the City would issue a Request for Qualifications (RFQ) – with a description of the Master Plan and the roles sought from a developer - and interested developers would respond with information about their practice, their projects, their capabilities, and their references. The preferred development partner would be identified through this process.
- **RFQ/RFBP-based Selection**. Under this approach, the RFQ process is used to create a shortlist of interested and qualified developers. The development teams are then asked to put together a proposal/business plan that outlines how they envision conducting the project, the development phasing, the proposed development financing, and the general terms between HACLA and the development team, including those related to disposition of property, co-development roles, and the long-term role of HACLA related to the replacement housing units. The development team with the most practical and favorable development approach and business plan is then selected.

After the ranking of the development teams, there is typically a negotiation process with the top-ranked development team. Through this negotiation process, the roles and responsibilities of the developer are finalized as are the roles and responsibilities, if any, of the landowner/other public agency partners. Terms of disposition, performance requirements and timelines, and other business terms are identified and a contract signed. To the extent that the parties cannot agree on terms, the public agency (HACLA) would retain the right to negotiate with the next-ranked development team.

It is important to note that the precise timing of developer engagement can be adjusted based on the preferred roles and responsibilities. In particular, for some revitalization scenarios it may be appropriate to select a development partner earlier in the process to ensure decisions are informed by the appropriate development expertise.

13. Secure additional funding, tax credits, and other mechanisms.

With approvals obtained and development partner on-board, the development partner, City, and HACLA will need to work together to ensure appropriate financing for rehabilitation/redevelopment of the project. In addition to the upfront financial assurances from the City (described above) that will likely be required to ensure the completion of pre-development activities as well as a sufficient base of funding to support project feasibility, the developer and City will need to coordinate around: (1) access to additional funding from the affordable housing trust fund; (2) application for and receipt of the competitive 9 percent tax credits as well as 4 percent tax credits for the other components of the project; (3) joint application by developer, HACLA, and the City for potential State and federal grant funding sources (or low-interest loans if appropriate); and, (4) coordination between the City and developer and HACLA concerning opportunities to transfer RAD units off-site to other affordable housing development projects. Additional funding for affordable housing could also be available through City establishment of a Community Revitalization Authority within a community revitalization and investment area encompassing RSP under the recently passed AB 2.

To the extent that any off-site replacement of units is planned as part of the approved Revitalization Project, the development partner, the City, and HACLA will need to work together to identify suitable sites for the development of the replacement housing and/or suitable buildings for rehabilitation for replacement housing.

Part D: Conduct Revitalization Project

14. Conduct rehabilitation / redevelopment and associated activities consistent with Master Plan.

At this stage, with the necessary financing in place and approvals and permits for the Revitalization Project, the development partner would develop and implement the plan. This is the final, multi-pronged step that includes the full suite of necessary actions to rehabilitate and/or redevelopment RSP consistent with the approved Master Plan/Revitalization Project. This includes managing the temporary re-location of residents if necessary, the identification, acquisition, and development of new sites for off-site affordable housing development if necessary, the demolition of any existing units if appropriate, the rehabilitation of existing units, and the development of new housing.

While uncertain at this time, a revitalization project of this nature/scale would likely occur over multiple phases of the development and associated financing. Demolition and relocation would likely need to occur in phases at the time that each development phase is ready to proceed. Once funding sources are committed, financing for each phase would close before construction would commence. RAD conversion would occur simultaneous with each financial closing, so units would be converted over time.

APPENDIX A:

Prototype Development Pro Formas

Rehab existing 479-Unit Rancho San Pedro Project

Item		Assumptions		Per Unit	Total
DEVELOPMENT PROGRAM ASSUMPTIONS					
Site Area Sq.Ft.					867,715
DUAC					24
Units					479
Resi Net Leasable Area Sq.Ft.		1,500	net sq.ft. / unit		718,500
KEY REVENUE ASSUMPTIONS					
Average RAD Contract Rent (1)		$748.62	per unit/month		$4,303,071
Laundry Income		0	per unit/month		$0
(less) Operating Expenses (2)		$7,100	per unit, including repl. reserves		($3,400,900)
(less) Vacancy		5.0%	of gross income		($215,154)
(less) Share of Real Estate Taxes		1.10%	of capped value		$0
Resid - Building Revenue Subtotal				**$1,434**	**$687,017**
USES OF FUNDS					
Direct Costs					
Building Acquisition		$46,000	per unit		$22,034,000
Demo and Basic site work (on-site)		$0	per site sq.ft.		$0
PNA Costs		$36	per sq.ft.		$26,018,394
Additional Renovation Costs		$13	per sq.ft.		$8,981,606
Total Direct Costs				**$119,069**	**$57,034,000**
Indirect Costs					
Predevelopment		2.0%	of direct costs		$1,140,680
A&E		6.0%	of direct costs		$3,422,040
Legal		1.0%	of direct costs		$570,340
Other Prof Services		1.0%	of direct costs		$570,340
Hard Cost Contingency		10.0%	of direct costs		$5,703,400
Soft Cost Contingency		7.0%	of soft costs above this item		$399,238
Real Estate Taxes		0.0%	12 months, construction+land value		$0
Permit Costs		2.0%	of direct costs		$1,140,680
Impact Fees		$0	/sq. ft. (resi)		$0
Temporary Tenant Relocation Costs (3)		$3,600	per household		$1,724,400
Total Indirect Costs				**$30,629**	**$14,671,118**
Construction and Permanent Financing					
Interest		3.5%			$1,762,550
Financing Fees		4.5%			$712,455
Total Financing Costs				**$5,167**	**$2,475,005**
Net Costs before Land and Developer Costs				**$154,865**	**$74,180,123**
Developer Costs		10%		**$10,438**	$5,000,000
Total Costs				**$165,303**	**$79,180,123**
Capitalized Reserves		9 months		**$5,325**	$2,550,675
Total Costs with Reserves				**$170,628**	**$81,730,798**
SOURCES OF FUNDS--CONSTRUCTION					
LIHTC Equity	20.0%				$6,061,736
Construction Period Bonds	53.0%				$41,965,465
Subtotal					$48,027,201
Funding Need					$28,652,922
NON-COMPETITIVE FUNDING SOURCES (PERMANENT)					
LIHTC Equity	**1.05**			$63,275	$30,308,678
Supportable Debt (RAD Rents)	5.5%	30 years		$8,661	$4,148,667
Deferred Fee	20.0%			$2,088	$1,000,000
Seller Note	95.0%			$43,700	$20,932,300
Subtotal				$117,724	$56,389,646
Funding Need				**($52,904)**	**($25,341,152)**

Notes
Many assumptions are based on CSG's and EPS's standard assumptions for pro formas. Sources for selected assumptions are below.
(1) CSG Advisors, from a weighted average based on a prior RAD rent analysis.
(2) CSG Advisors, based on a prior HACLA survey
(3) Based on HACLA analysis for Jordan Downs

For-Rent Affordable Single-Family Attached Townhomes; 30'; 3 stories wood frame with surface parking (Type V)

Item		Assumptions		Per Unit	Per Gross Blg Sq.Ft.	Total
DEVELOPMENT PROGRAM ASSUMPTIONS						
Site Area						43,560
DUAC						32
Units						32
Resi Gross Building Sq Ft		1,165	gross sq.ft. / unit			37,271
Net Leasable Area Sq.Ft.(1)	85%	990	net sq.ft. / unit (0)			31,680
Residential Parking Spaces		2.00	spaces per resid. unit			64
Parking Sq.Ft.		365	sq.ft./space			23,360
KEY REVENUE ASSUMPTIONS						
Average RAD Contract Rent (2)		$748.62	per unit/month			$287,470
Laundry Income		$0.00	per unit/month			$0
(less) Operating Expenses (3)		$7,100	per unit, including repl. reserves			($227,200)
(less) Vacancy		5.0%	of gross income			($14,374)
(less) Share of Real Estate Taxes		1.10%	of capped value			$0
Subtotal						$45,897
USES OF FUNDS						
Direct Costs						
Land						
Demo and Basic site work (on-site)		$20	per site sq.ft.			$871,200
Construction Cost (4)		$150	per gross sq.ft.			$5,590,588
Total Direct Costs				**$201,931**	**$173**	**$6,461,788**
Indirect Costs (5)						
Predevelopment		2.0%	of direct costs			$129,236
A&E		7.0%	of direct costs			$452,325
Legal		1.0%	of direct costs			$64,618
Other Prof Services		1.0%	of direct costs			$64,618
Hard Cost Contingency		10.0%	of direct costs			$646,179
Soft Cost Contingency		7.0%	of soft costs above this item			$49,756
Real Estate Taxes		1.1%	12 months, construction+land value			$91,266
Permit Costs		2.0%	of direct costs			$129,236
Impact Fees		$10	/sq. ft. (resi)			$12,706
Permanent Tenant Relocation Costs (6)		$10,000	per household			$320,000
Total Indirect Costs				**$61,248**	**$53**	**$1,959,939**
Construction and Permanent Financing						
Interest		3.5%				$214,159
Financing Fees		4.5%				$110,295
Total Financing Costs				**$10,139**	**$9**	**$324,454**
Net Costs before Land and Developer Costs				**$273,318**	**$235**	**$8,746,182**
Developer Costs		10%		$27,332	**$23**	$874,618.16
Total Costs				**$300,650**	**$258**	**$9,620,800**
Capitalized Reserves		9 months		$5,325		$170,400
Total Costs with Reserves				**$305,975**		**$9,791,200**
SOURCES OF FUNDS--CONSTRUCTION						
LIHTC Equity	20.0%					$743,544
Construction Period Bonds	53.0%					$5,099,024
Subtotal						$5,842,567
Funding Need						**($3,340,923)**
NON-COMPETITIVE FUNDING SOURCES (PERMANENT)						
LIHTC Equity	1.05			$116,179		$3,717,718
Supportable Debt (RAD Rents	5.5%	35 years		$8,661		$277,155
Deferred Fee	20.0%			$5,466		$174,924
Seller Note						
Subtotal				$130,306		$4,169,797
Funding Need				**($175,669)**		**($5,621,403)**

Notes

Many assumptions are based on CSG's and EPS's standard assumptions for pro formas. Sources for selected assumptions are below.

(1) At PH occupancy standard for RSP: 28% 1BR@750 Sq.Ft.; 51% 2BR@1,000 Sq.Ft.; 20% 3BR@1300 Sq.Ft.

(2) CSG Advisors, from a weighted average based on a prior RAD rent analysis.

(3) CSG Advisors, based on a prior HACLA survey

(4) Based on estimate for proposed New Dana Strand Townhome project in Wilmington; Hard costs include union labor and General Contractor's overhead and profit.

(5) Costs and fees based on estimate for proposed New Dana Strand Townhome project in Wilmington.

(6) Based on HACLA analysis for Jordan Downs

For-Sale Single-Family Attached Townhomes; 30'; 3 stories wood frame with garage in front or off alley (Type V)

Item	Assumptions		Per Unit	Per Gross Blg Sq.Ft.	Total
DEVELOPMENT PROGRAM ASSUMPTIONS					
Site Area					43,560
DUAC					29
Units					29
Gross Square Feet	1,750	sellable sq.ft. / unit			50,750
Residential Parking Spaces	2.00	spaces per resid. unit			58
Parking Sq.Ft.	350	sq.ft./space			20,300
REVENUE ASSUMPTIONS					
Sale Price (Market Rate)	$330	/sq.ft.			$16,747,500
(less) Marketing and Commissions	5.0%	of gross sales			($837,375)
Net Sales Revenue			**$548,625**	**$314**	**$15,910,125**
COST ASSUMPTIONS					
Direct Costs					
Basic site work	$20	per site sq.ft.			$871,200
Building Construction Cost (1)	$160	per gross sq.ft.			$8,120,000
Total Direct Costs			**$310,041**	**$177**	**$8,991,200**
Indirect Costs					
Predevelopment (2)	2.0%	of direct costs			$179,824
A&E	7.0%	of direct costs			$629,384
Pre-opening, marketing	1.5%	of direct costs			$134,868
Legal	1.0%	of direct costs			$89,912
Other Prof Services	1.0%	of direct costs			$89,912
Hard Cost Contingency	10.0%	of direct costs			$899,120
Soft Cost Contingency	7.0%	of indirect costs above this item			$78,673
Real Estate Taxes	1.1%	12 months, construction+land value			$148,266
Permit Costs	2.0%	of direct costs			$179,824
Impact Fees	$10	/net new res sq. ft.			$87,500
Development Fee	3.0%	of direct+soft costs			$345,255
Total Indirect Costs			**$98,708**	**$56**	**$2,862,538**
Financing					
Interest	4.5%	int rate, 65% LTC		12 months construction	$173,361
Financing Fees	2.0%				$154,099
Total Financing Costs			**$11,292**	**$6**	**$327,460**
Net Costs before Land and Profit			**$420,041**	**$240**	**$12,181,197**
Project Profit	10%		**$42,004**	**$24**	**$1,218,120**
Total Costs			**$462,045**	**$264**	**$13,399,317**
METRICS					
Total Residual Land Value			**$86,580**	**$49**	**$2,510,808**
Residual Value per Site Sq.Ft.					**$58**

Notes

Many assumptions above are based on EPS's standard assumptions for pro formas based on our review developer pro forma's over our 30-year firm history. Sources for selected assumptions are below.

(1) Based on review of other apartment pro formas and discussions with developers

(2) Predevelopment includes allowance for a project-wide EIR and assumed historic resources mitigation costs.

For-Rent: 75' Mixed Use Podium; 4 stories wood frame over 2-story parking podium (Type V over Type I Construction)

Item	Assumptions	Per Unit	Per Gross Blg Sq.Ft.	Total
DEVELOPMENT PROGRAM ASSUMPTIONS				
Site Area				43,560
FAR				3.2
Stories (Including podium)				6.0
Gross Building Square Footage (excluding parking)				141,134
Resi Gross Building Sq Ft				137,634
Resi Net Leasable Area (Sq. Ft.)	80%			110,108
Units	1,100 leasable sq.ft. / unit			100
DU/AC				100
Gross Building Square Footage (Retail)	3,500 square feet			3,500
Retail Net Leasable Area (Sq. Ft.)	95%			3,325
Residential Parking Spaces	1.65 spaces per resid. unit			165
Retail Parking Spaces	4.00 spaces/1,000 sq.ft. retail			13
Parking Sq.Ft.	365 sq.ft./space			64,970
REVENUE ASSUMPTIONS				
Base Rental Revenue	$ 2.30 NLA sq.ft./month			$3,038,968
(less) Operating Expenses (1)	$5,000 per unit			($500,000)
(less) Vacancy	5.0% of gross income			($151,948)
(less) Share of Real Estate Taxes	1.10% of capped value			($441,493)
Resid - Building Revenue Subtotal				$1,945,526
Base Rental Revenue	$2.00 NLA sq.ft./mnth (NNN)			$79,800
(less) Vacancy	5.0% of gross income			($3,990)
Retail - Building Revenue Subtotal				$75,810
Cap'z'd Value (res/retail) (2)	5.65% 7.50%	**$354,449**	**$251**	**$35,444,893**
COST ASSUMPTIONS				
Direct Costs				
Basic site work	$20 per site sq.ft.			$871,200
Building Construction Cost (2)	$175 per gross sq.ft.			$24,086,020
Parking Construction Costs	$30,000 all-in costs/podium space			$5,340,000
Total Direct Costs		**$302,972**	**$215**	**$30,297,220**
Indirect Costs				
Tenant Allowance Costs	$40 per NLA (retail sq.ft.)			$133,000
Soft Costs				
Predevelopment	2.0% of direct costs			$605,944
A&E	7.0% of direct costs			$2,120,805
Pre-opening, marketing	1.5% of direct costs			$454,458
Legal	1.0% of direct costs			$302,972
Other Prof Services	1.0% of direct costs			$302,972
Hard Cost Contingency	10.0% of direct costs			$3,029,722
Soft Cost Contingency	7.0% of indirect costs above this item excl. TA			$265,101
Real Estate Taxes	1.1% 12 months construction			$429,674
Permit Costs	2.0% of direct costs			$605,944
Impact Fees	$10 /net new res sq. ft.		$15 /sq. ft. (retail)	$1,028,844
Development Fee	3.0% of direct+TA+soft costs			$1,187,300
Total Indirect Costs		**$104,667**	**$74**	**$10,466,737**
Financing				
Interest	4.5% int rate and 65% LTC		12 months construction	$596,173
Financing Fees	2.0%			$529,931
Total Financing Costs		**$11,261**	**$8**	**$1,126,104**
Net Costs before Land and Profit		**$418,901**	**$297**	**$41,890,061**
Project Profit	10%	**$41,890**	**$30**	**$4,189,006**
Total Costs		**$460,791**	**$326**	**$46,079,067**
METRICS				
Total Residual Land Value		**($106,342)**	**($75)**	**($10,634,174)**
Residual Value per Site Sq.Ft.				**($244)**

Notes

Many assumptions above are based on EPS's standard assumptions for pro formas based on our review developer pro forma's over our 30-year firm history. Sources for selected assumptions are below.

(1) Based on review of 2013 survey of National Apartment Association Operating Income and Expenses report and EPS's review of other apartment pro formas

(2) Based on review of other apartment pro formas and discussions with developers

APPENDIX B:

Redevelopment Scenarios

Scenario 1: Leveraged Rehab
Market Rate Baseline
Affordable Financing: Non-Competitive(1)

Location	AC	Proposed Use	Units	Market/ Afford-able	For Sale/ Rent	DU/AC	Com-mercial Sq.Ft.	Cost/Unit	Value/Unit	RLV/Unit	RLV
Onsite											
Block 1	3.65	Leveraged Rehab Existing RSP	105	Affordable	Rent	29	0	$171,000	$118,000	($53,000)	($5,565,000)
Block 2	1.34	Leveraged Rehab Existing RSP	30	Affordable	Rent	22	0	$171,000	$118,000	($53,000)	($1,590,000)
Block 3	3.62	Leveraged Rehab Existing RSP	84	Affordable	Rent	23	0	$171,000	$118,000	($53,000)	($4,452,000)
Block 4	3.62	Leveraged Rehab Existing RSP	72	Affordable	Rent	20	0	$171,000	$118,000	($53,000)	($3,816,000)
Block 5	1.34	Leveraged Rehab Existing RSP	30	Affordable	Rent	22	0	$171,000	$118,000	($53,000)	($1,590,000)
Block 6	0.62	Leveraged Rehab Existing RSP	14	Affordable	Rent	23	0	$171,000	$118,000	($53,000)	($742,000)
Block 7	3.54	Leveraged Rehab Existing RSP	108	Affordable	Rent	31	0	$171,000	$118,000	($53,000)	($5,724,000)
Block 8	1.31	Leveraged Rehab Existing RSP	18	Affordable	Rent	14	0	$171,000	$118,000	($53,000)	($954,000)
Block 9	0.89	Leveraged Rehab Existing RSP	18	Affordable	Rent	20	0	$171,000	$118,000	($53,000)	($954,000)
Subtotal Onsite	**19.92**		**479**			**24**	**0**			**($53,000)**	**($25,387,000)**
Offsite	0.00	Attached Row Houses Off-Site (2)	0	Affordable	Rent	32	0	$356,000	$130,000	($226,000)	$0
TOTAL SCENARIO	**19.92**		**479**			**24**	**0**			**($53,000)**	**($25,387,000)**

Notes	
On-Site Market	0
On-Site Affordable	479
Off-Site Affordable	0
Total Affordable	479

Source: Economic and Planning Systems
Notes:
[1] Non-Competitive Financing includes use of LIHTC equity, supportable debt at RAD rents, and deferred fees to offset construction costs.
(2) Offiste costs/unit are computed by adding offsite land cost estimated at $37 per land square foot (from EPS comps analysis) to the onsite unit development cost.

Scenario 2: Lower Density Redevelopment
Market Rate Baseline
Affordable Financing: Non-Competitive(1)

Location	AC	Proposed Use	Units	Market/ Afford-able	For Sale/ Rent	DU/AC	Com-mercial Sq.Ft.	Cost/Unit	Value/Unit	RLV/Unit	RLV
Onsite											
Block 1	3.65	Leveraged Rehab Existing RSP	105	Affordable	Rent	29	0	$171,000	$118,000	($53,000)	($5,565,000)
Block 2	1.34	Attached Row Houses On-Site	43	Affordable	Rent	32	0	$306,000	$130,000	($176,000)	($7,568,000)
Block 3	3.62	Leveraged Rehab Existing RSP	84	Affordable	Rent	23	0	$171,000	$118,000	($53,000)	($4,452,000)
Block 4	3.62	Leveraged Rehab Existing RSP	72	Affordable	Rent	20	0	$171,000	$118,000	($53,000)	($3,816,000)
Block 5	1.34	Attached Row Houses On-Site	43	Affordable	Rent	32	0	$306,000	$118,000	($176,000)	($7,568,000)
Block 6	0.62	Attached Row Houses (Sale)	18	Market	Sale	29	0	$462,000	$549,000	$87,000	$1,566,000
Block 7	3.54	Leveraged Rehab Existing RSP	108	Affordable	Rent	31	0	$171,000	$118,000	($53,000)	($5,724,000)
Block 8	1.31	Attached Row Houses On-Site	42	Affordable	Rent	32	0	$306,000	$130,000	($176,000)	($7,392,000)
Block 9	0.89	Attached Row Houses (Sale)	26	Market	Sale	29	0	$462,000	$549,000	$87,000	$2,262,000
Subtotal Onsite	**19.92**		**541**			**27**	**0**				**($38,257,000)**
Offsite	**0.00**	Attached Row Houses Off-Site (2)	0	Affordable	Rent	32	0	$356,000	$130,000	($226,000)	$0
TOTAL SCENARIO	**19.92**		**541**			**27**	**0**			**($71,000)**	**($38,257,000)**

Notes	
On-Site Market	44
On-Site Affordable	497
Off-Site Affordable	0
Total Affordable	497

Source: Economic and Planning Systems
Notes:
[1] Non-Competitive Financing includes use of LIHTC equity, supportable debt at RAD rents, and deferred fees to offset construction costs.
(2) Offiste costs/unit are computed by adding offsite land cost estimated at $37 per land square foot (from EPS comps analysis) to the onsite unit development cost.

Scenario 3: Higher Density Redevelopment
Market Rate Baseline
Affordable Financing: Non-Competitive(1)

Location	AC	Proposed Use	Units	Market/ Afford-able	For Sale/ Rent	DU/AC	Com-mercial Sq.Ft.	Cost/Unit	Value/Unit	RLV/Unit	RLV
Onsite											
Block 1	3.65	Leveraged Rehab Existing RSP	105	Affordable	Rent	29	0	$171,000	$118,000	($53,000)	($5,565,000)
Block 2	1.34	Attached Row Houses On-Site	43	Affordable	Rent	32	0	$306,000	$130,000	($176,000)	($7,568,000)
Block 3	3.62	Leveraged Rehab Existing RSP	84	Affordable	Rent	23	0	$171,000	$118,000	($53,000)	($4,452,000)
Block 4	3.62	Leveraged Rehab Existing RSP	72	Affordable	Rent	20	0	$171,000	$118,000	($53,000)	($3,816,000)
Block 5	1.34	Attached Row Houses On-Site	43	Affordable	Rent	32	0	$306,000	$118,000	($176,000)	($7,568,000)
Block 6	0.62	MU Residental/Retail Podium (Rent)	62	Market	Rent	100	3500	$461,000	$354,000	($107,000)	($6,634,000)
Block 7	3.54	Leveraged Rehab Existing RSP	108	Affordable	Rent	31	0	$171,000	$118,000	($53,000)	($5,724,000)
Block 8	1.31	Attached Row Houses On-Site	42	Affordable	Rent	32	0	$306,000	$130,000	($176,000)	($7,392,000)
Block 9	0.89	MU Residental/Retail Podium (Rent)	89	Market	Rent	100	3500	$461,000	$354,000	($107,000)	($9,523,000)
Subtotal Onsite	**19.92**		**648**			**33**	**7,000**			**($89,880)**	**($58,242,000)**
Offsite	**0.00**	Attached Row Houses Off-Site (2)	0	Affordable	Rent	32	0	$356,000	$130,000	($226,000)	$0
TOTAL SCENARIO	**19.92**		**648**			**33**	**7,000**			**($90,000)**	**($58,242,000)**

Notes	
On-Site Market	151
On-Site Affordable	497
Off-Site Affordable	0
Total Affordable	497

Source: Economic and Planning Systems

Notes:

[1] Non-Competitive Financing includes use of LIHTC equity, supportable debt at RAD rents, and deferred fees to offset construction costs.

(2) Offiste costs/unit are computed by adding offsite land cost estimated at $37 per land square foot (from EPS comps analysis) to the onsite unit development cost.

Scenario 3alt: Higher Density Redevelopment with Offsite Affordable
Market Rate Baseline
Affordable Financing: Non-Competitive(1)

Location	AC	Proposed Use	Units	Market/ Afford-able	For Sale/ Rent	DU/AC	Com-mercial Sq.Ft.	Cost/Unit	Value/Unit	RLV/Unit	RLV
Onsite											
Block 1	3.65	Leveraged Rehab Existing RSP	105	Affordable	Rent	29	0	$171,000	$118,000	($53,000)	($5,565,000)
Block 2	1.34	Attached Row Houses (Sale)	39	Market	Sale	29	0	$462,000	$549,000	$87,000	$3,393,000
Block 3	3.62	Leveraged Rehab Existing RSP	84	Affordable	Rent	23	0	$171,000	$118,000	($53,000)	($4,452,000)
Block 4	3.62	Leveraged Rehab Existing RSP	72	Affordable	Rent	20	0	$171,000	$118,000	($53,000)	($3,816,000)
Block 5	1.34	Attached Row Houses (Sale)	39	Market	Sale	29	0	$462,000	$118,000	$87,000	$3,393,000
Block 6	0.62	MU Residental/Retail Podium (Rent)	62	Market	Rent	100	3500	$461,000	$354,000	($107,000)	($6,634,000)
Block 7	3.54	Leveraged Rehab Existing RSP	108	Affordable	Rent	31	0	$171,000	$118,000	($53,000)	($5,724,000)
Block 8	1.31	Attached Row Houses (Sale)	38	Market	Sale	29	0	$462,000	$549,000	$87,000	$3,306,000
Block 9	0.89	MU Residental/Retail Podium (Rent)	89	Market	Rent	100	3500	$461,000	$354,000	($107,000)	($9,523,000)
Subtotal Onsite	**19.92**		**636**			**32**	**7,000**			**($40,286)**	**($25,622,000)**
Offsite	**4.00**	Attached Row Houses Off-Site (2)	128	Affordable	Rent	32	0	$356,000	$130,000	($226,000)	($28,928,000)
TOTAL SCENARIO	**23.92**		**764**			**32**	**7,000**			**($71,000)**	**($54,550,000)**

Notes	
On-Site Market	267
On-Site Affordable	369
Off-Site Affordable	128
Total Affordable	497

Source: Economic and Planning Systems
Notes:
[1] Non-Competitive Financing includes use of LIHTC equity, supportable debt at RAD rents, and deferred fees to offset construction costs.
(2) Offiste costs/unit are computed by adding offsite land cost estimated at $37 per land square foot (from EPS comps analysis) to the onsite unit development cost.

APPENDIX C:

Tax Credit Calculations

Illustration of 4% and 9% Tax Credit Equity for Leveraged Rehab

		4% LIHTC		First 9% LIHTC		Second 9% LIHTC	
NON-COMPETITIVE SOURCE: 4% LIHTC Allocations							
Units		**479**	**1**				
LIHTC Calculations							
Eligible Basis - New Constr./Rehab		54,606,000	114,000				
Eligible Basis - Acquisition		22,034,000	46,000				
Max Basis		170,198,280	355,320				
Unadjusted Basis		76,640,000	160,000				
DDA / QCT Adjustment		16,381,800					
Adjusted Basis (with Boost)		93,021,800	194,200				
Qualified Basis		88,370,710	184,490				
Potential Allocation		2,828,000	5,904				
Max Allocation		2,828,000	5,904				
LIHTC Equity		29,691,000	61,985				
Total Equity	**29,691,000**						
Equity Per Unit	**62,000**						
COMPETITIVE SOURCE: 4% + 2 * 9% LIHTC Allocations							
Units		**179**	**1**	**150**	**1**	**150**	**1**
LIHTC Calculations							
Eligible Basis - New Constr./Rehab		20,406,000	114,000	17,100,000	114,000	17,100,000	114,000
Eligible Basis - Acquisition		8,234,000	46,000	6,900,000	46,000	6,900,000	46,000
Estimated Threshold Basis Limit		63,602,280	355,320	46,332,000	308,880	46,332,000	308,880
Unadjusted Basis		28,640,000	160,000	24,000,000	160,000	24,000,000	160,000
DDA / QCT Adjustment		6,121,800		5,130,000		5,130,000	
Adjusted Basis (with Boost)		34,761,800	194,200	29,130,000	194,200	29,130,000	194,200
Qualified Basis		33,023,710	184,490	27,673,500	184,490	27,673,500	184,490
Potential Allocation		1,057,000	5,905	2,075,513	13,837	2,075,513	13,837
Max Allocation		1,057,000	5,905	2,500,000	16,667	2,500,000	16,667
LIHTC Equity		11,097,000	61,994	20,753,000	138,353	20,753,000	138,353
Total Equity (4% + 9%)	**52,603,000**						
Equity Per Unit	**109,800**						
Difference in Potential Equity	**22,912,000**						
Difference Per Unit	**47,800**						

Source: CSG Advsiors and Economic and Planning Systems
Key Assumptions
(1) 2015 DDA
(2) 95%
(3) 1.05

Illustration of 4% and 9% Tax Credit Equity for Affordable Town Homes

		4% LIHTC		First 9% LIHTC		Second 9% LIHTC	
NON-COMPETITIVE SOURCE: 4% LIHTC Allocations							
Units		**479**	**1**				
LIHTC Calculations							
Eligible Basis - New Constr./Rehab		134,120,000	280,000				
Eligible Basis - Acquisition		0	-				
Max Basis		182,805,560	381,640				
Unadjusted Basis		134,120,000	280,000				
DDA / QCT Adjustment		40,236,000					
Adjusted Basis (with Boost)		174,356,000	364,000				
Qualified Basis		165,638,200	345,800				
Potential Allocation		5,300,000	11,065				
Max Allocation		5,300,000	11,065				
LIHTC Equity		55,644,000	116,167				
Total Equity	**55,644,000**						
Equity Per Unit	**116,200**						
COMPETITIVE SOURCE: 4% + 2 * 9% LIHTC Allocations							
Units		**319**	**1**	**80**	**1**	**80**	**1**
LIHTC Calculations							
Eligible Basis - New Constr./Rehab		89,320,000	280,000	22,400,000	280,000	22,400,000	280,000
Eligible Basis - Acquisition		0	-	0	-	0	-
Estimated Threshold Basis Limit		121,743,160	381,640	26,540,800	331,760	26,540,800	331,760
Unadjusted Basis		89,320,000	280,000	22,400,000	280,000	22,400,000	280,000
DDA / QCT Adjustment (1)		26,796,000		6,720,000		6,720,000	
Adjusted Basis (with Boost)		116,116,000	364,000	29,120,000	364,000	29,120,000	364,000
Qualified Basis (2)		110,310,200	345,800	27,664,000	345,800	27,664,000	345,800
Potential Allocation		3,530,000	11,066	2,074,800	25,935	2,074,800	25,935
Max Allocation		3,530,000	11,066	2,500,000	31,250	2,500,000	31,250
LIHTC Equity (3)		37,061,000	116,179	20,746,000	259,325	20,746,000	259,325
Total Equity (4% + 9%)	**78,553,000**						
Equity Per Unit	**164,000**						
Difference in Potential Equity	**22,909,000**						
Difference Per Unit	**47,800**						

Source: CSG Advsiors and Economic and Planning Systems
Key Assumptions
(1) 2015 DDA
(2) 95%
(3) 1.05

APPENDIX D:

Existing Conditions Analysis

MEMORANDUM

To: Dhiraj Narayan, HACLA

From: Economic & Planning Systems, Inc.
Quatro Design Group
CSG Advisors

Subject: Rancho San Pedro Feasibility Analysis:
Existing Conditions Memorandum; EPS #154003

Date: June 1, 2015

The Economics of Land Use

This **Existing Conditions Document** provides important base information, analysis, and insights that will help in the formulation of Rancho San Pedro revitalization scenarios and feasibility analysis (in subsequent tasks). A revised version of this Existing Conditions Document will be included in the *Final Rancho San Pedro Feasibility Analysis Report*.

The Existing Conditions Task includes three key components:

- Real Estate Market Context.
- Affordable Housing Financing Context.
- Policy, Regulatory, and Physical Context.

These contexts are presented individually but will collectively inform the development and analysis of different *Highest and Best Use* scenarios. Two of these components are included in this document while the third is presented under separate cover. Each component has direct implications for the feasibility of any revitalization scenario with each affecting in unique, but inter-related ways, the potential scale, cost, value, and implementation challenge of any future scenario for the site.

As acknowledged in the appropriate sections, the existing conditions described in this document fall within a larger economic, policy, and financing context, relating directly to LA Waterfont development initiatives, the (draft) Rancho San Pedro New Community Plan, City, Housing Authority, and HUD affordable housing goals, and the broader evolution in affordable housing financing options and public/private partnerships.

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List of Exhibits

EXISTING CONDITIONS:

Real Estate Market Context

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1. EXISTING CONDITIONS: REAL ESTATE MARKET CONTEXT

This section provides an overview of the real estate market context for potential Rancho San Pedro revitalization. A summary of initial market observations is provided first, followed by sections describing the general and socio-economic context. The subsequent sections present data, analysis, and initial conclusions for residential, retail, hotel, and office uses.

Summary of Market Observations

1. ***LA Waterfront Stimulus.*** The LA Waterfront initiative will improve market conditions for private development in San Pedro Downtown area and other waterfront-proximate areas of San Pedro. The uncertainty in the timing and scope of key projects—most notably the Ports O' Call Village redevelopment—makes projecting the timing of the market impact difficult.

2. ***Socio-Economic Conditions.*** Current socio-economic patterns in San Pedro—and in the area of Rancho San Pedro in particular—present challenges to revitalization of Downtown and adjacent areas. Lower incomes limit local spending power (affecting opportunities for retailers and the level of investment in existing housing stock), while lower educational attainment may require new area employers hire from outside the area, especially where skilled workers are needed.

3. ***Residential Opportunity.*** Modest market rents for even the highest-quality multifamily properties currently offer only moderate short-term incentive for new residential development near Downtown San Pedro. Shorter term prospects can, however, be boosted by public investment/support (e.g., provision of public land at below market rates). Medium- to long-term prospects, however, are stronger for several reasons: the area offers many characteristics desired by urban pioneers, including a gritty authenticity and a walkable street grid; the relatively, untapped potential of waterfront property in San Pedro and land values lower than those in other nearby waterfront cities provides a cost-competitive alternative for developers/property investors; the continued growth in the LA Metropolitan Area economy and the associated need for housing for a broad range of household types; and, critically, the LA Waterfront initiative's planned public and private investments that will enhance the connectivity, activity, and appeal of San Pedro's waterfront and waterfront-adjacent areas.

4. ***Retail Opportunity.*** Neighborhood retail is dependent on residential density and spending power, and/or a large day population of workers, visitors, or students with disposable income. The Rancho San Pedro area does not have these characteristics at this time and area retail is modest in scale and characterized by weaker rents and relatively high vacancies. Over time, substantial residential development and the implementation of LA Waterfront initiatives could stimulate new retail development.

5. ***Hotel Opportunity.*** A competitive hotel market in the South Bay along with sufficient current supply in San Pedro likely means that new hotel development in San Pedro will depend on new growth in hotel demand. And while recent LA Waterfront initiatives have increased tourism, a critical mass of overnight visitors sufficient to support a new hotel will require a greater critical mass of activity at the waterfront.

6. ***Office Opportunity.*** San Pedro has not been a common location for new office developments. While the San Pedro office market does not appear likely to support significant new development in the area around Rancho San Pedro in the near term, trends in creative office development coupled with the LA Waterfront initiative could, over time, lead to opportunities to capture small- and medium-sized firms in creative industries.

General Context

Rancho San Pedro is located in the City of San Pedro two blocks north of downtown in the geographic and historic center of the City. Originally laid out in the 1880s and annexed by the City of Los Angeles in 1909, the City of San Pedro evolved in tandem with the adjacent Ports of Los Angeles and Long Beach. Original port activities included shipping, shipbuilding, and fishing and—between 1919 and 1940—hosting the United States Navy Battle Fleet. While the fleet did not return after departing for Pearl Harbor in 1940, activities at the Port continued to expand, and with it, port-related industries in San Pedro. The residential population grew quickly to serve the port with an influx of immigrants from countries with strong maritime traditions such as Italy, Greece, and the former Yugoslavia. Residential development serving the harbor workforce grew up near the port as well, including the Rancho San Pedro, which was originally a Federal housing project constructed in 1942 for shipyard workers. The post-war economy continued to drive growth, and further residential and commercial development in San Pedro radiated out from the core—west towards Palos Verdes, south towards Point Fermin, and north towards Wilmington.

A major turning point occurred in 1958, when the first 20 shipping containers arrived at the Port of LA, ushering in a revolution in how goods were distributed globally. Container-based shipping enabled vast increases in efficiency: nearly 162 times more cargo per man-hour could be moved by container than by prior means.[1] And while container-based shipping allowed the port to become the largest port complex in the country and a major driver of regional economic growth, the local economy declined. Increasing automation meant that job growth failed to keep pace with port growth; expansion of loading docks areas consumed San Pedro public and recreational space; and port-generated pollution all but decimated the commercial fishing industry and caused health risks for the local population. Consequently, blighted areas began to appear throughout the City, especially in and around the Downtown area. And despite numerous projects and planning initiatives by the Redevelopment Agency and other groups beginning in the 1960s, the vision of a popular waterfront destination did not materialize.

Much of the blight appeared near the embankment in an area that included Downtown and Rancho San Pedro. A high percentage of area residents lived in low-income facilities (among which Rancho San Pedro is the largest), and several drug and alcohol rehab facilities located there as well. As a result, the area was marked by high unemployment and drug- and gang-related crime. Intensified policing since the early 2000s dramatically lowered crime rates, but the neighborhood's reputation for being unsafe has persisted.

More recently, the Port of Los Angeles has been engaged in a multi-year planning process to revitalize the San Pedro waterfront for non-industrial uses. Called the San Pedro Waterfront Project (formerly the "Bridge to Breakwater" vision), it includes a number of recently completed

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[1] KCET: http://www.kcet.org/socal/departures/710-corridor/brief-history-of-the-ports-of-los-angeles-and-long-beach.html

and proposed public and private projects that collectively aim to link downtown San Pedro with the waterfront; enhance visitor- and community-serving commercial opportunities; remove and re-locate cargo handling operations; promote non-vehicular access and circulation; maintain cruise terminal competitiveness; create economic opportunities for the surrounding area; and grow in a sustainable fashion. A list of completed and proposed San Pedro Waterfront Project initiatives is shown in **Exhibit 1**.

Exhibit 1 LA Waterfront Development Initiatives

Proposed Projects	Program	Status
Alta Sea	Ocean-based innovation center and think tank to be located at the historic Municipal Warehouse #1	Raising funds. Target completion date TBD
Ports O' Call Village Development	30-acre site featuring proposed 375,000 square feet of retail and tourism-related uses and associated infrastructure improvements	The LA Waterfront Alliance (developers Ratkovich and Jericho) negotiating a Development Agreement with the Port. Target completion date TBD.
Ports O' Call promenade and parking	Public open space to complement Ports O' Call development	Planning. Target completion by 2019-20
Town square at Sixth Street and Harbor Boulevard in San Pedro	Public open space to complement Ports O' Call development and provide linkage with Downtown	Planning. Target completion by 2019-20.
Sampson Way and Seventh Street intersection improvements	To improve vehicular and non-vehicular access and circulation for Ports O' Call, Downtown, and the surrounding area	Design documents. Target completion by 2017-18.
Completed Projects	Program	Date Completed
Downtown Harbor and Town Square	1.2-acre waterside public space, marina, and promenade on former parking lot	2014
Crafted	140,000-square foot artisans marketplace in historic warehouse building	2012
USS Iowa	Floating Museum	2012

Proposed Projects	Program	Status
Cabrillo Way Marina	Updated 87-acre 700-slip marina and recreational complex and waterfront promenade	2011
22nd Street Park	18-acre park developed on former tank-farm site	2010
Gateway Plaza and Fanfare Fountains	Interactive fountain and open space area	2008
Los Angeles Cruise Ship Promenade	4-acre open space and waterfront promenade	2004

Many aspects of the LA Waterfront initiative could help improve market conditions supportive of Rancho San Pedro redevelopment. These include the proximity of several projects to Rancho San Pedro that could increase the day population; the considerable amount of potential investment (up to $1 billion in combined public and private dollars by some estimates); and the explicit project goal to link the waterfront with the Downtown through targeted infrastructure improvements. However, several project elements have moved slowly including the critical Ports O' Call Village development, which has been held up by an ongoing debate about public funding for needed infrastructure. Furthermore, significant questions about market support for the proposed Ports O' Call development program have been raised by a recent Port-funded feasibility study. Coupled with the limitations of a 50-year ground lease, it is likely that the proposed development program will be further reduced.[2] In addition, some critics contend the various projects are too widely spaced along the embankment and supported by too little transit and pedestrian infrastructure to create a "critical mass." This phenomenon is illustrated by the modest (to date) catalytic influence that the Iowa, Crafted, and Cabrillo Marina have had on development patterns.

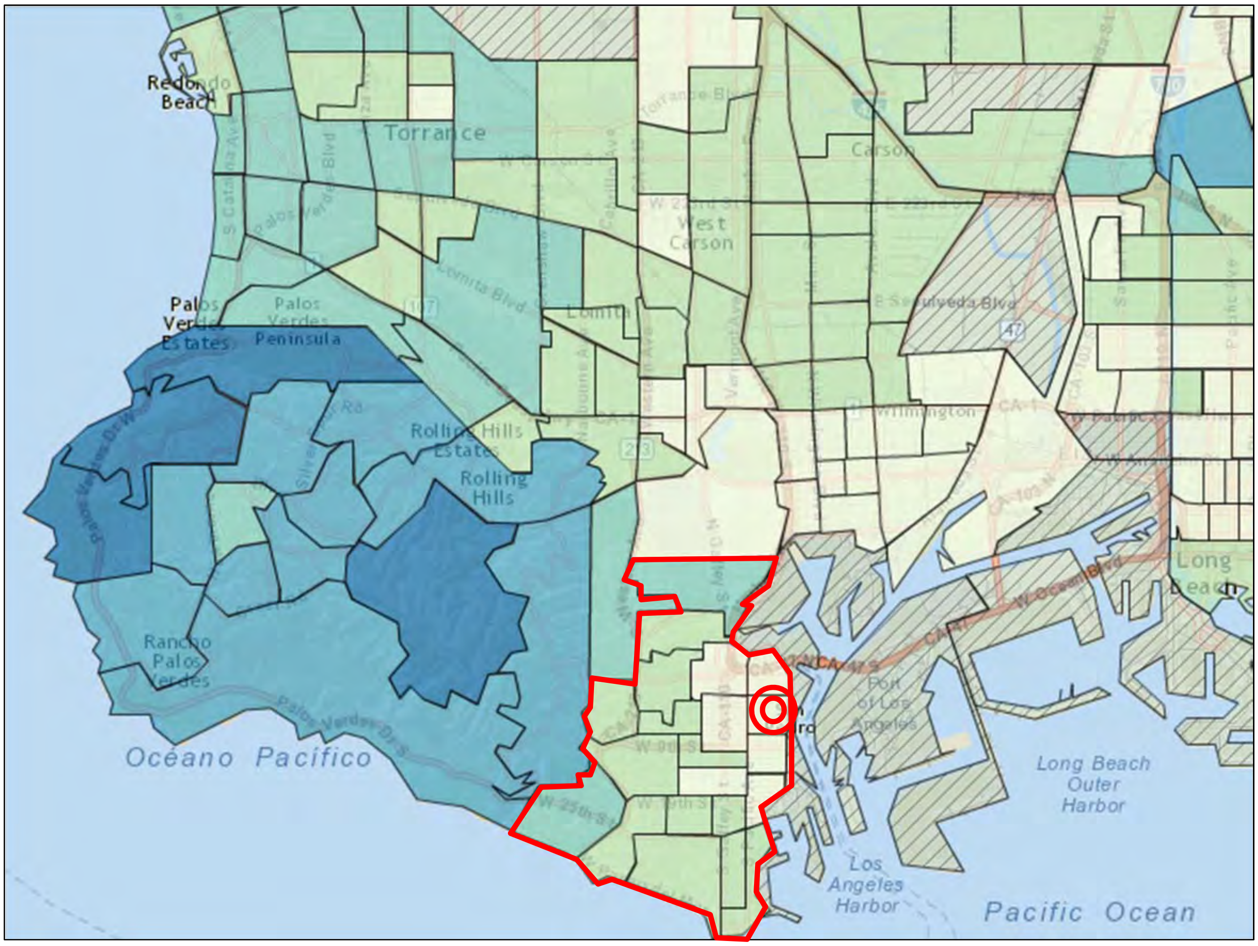
Ultimately, the waterfront location and large amount of public investment—if it occurs—should stimulate new private development in the San Pedro downtown area. However, the large number of contingent factors, most importantly public infrastructure investment and the development scope and timeline for the Ports O' Call project, make the timing and extent of this stimulus effect hard to estimate.

[2] http://www.planningreport.com/2015/04/29/revitalization-ports-o-call-promises-san-pedro-waterfront-access-new-infrastructure

Socio-Economic Context

San Pedro is located at the southern end of the Palos Verdes Peninsula and is bordered by the Port of Los Angeles to the east, Palos Verdes to the west, and Lomita and Wilmington to the North. As shown on **Exhibit 2**, San Pedro is generally less affluent than Palos Verdes and the Beach Cities to the west and northwest.

Exhibit 2 Regional Household Income by Census Tract



Source: ESRI; U.S. Census Bureau American Community Survey 2008-2012 5-Yr Average; EPS

Within San Pedro itself, affluence as measured by household income is lowest on the eastern side of the City near the waterfront, where Rancho San Pedro is located, and highest to the west, where the City borders Palos Verdes. Rancho San Pedro, as shown in **Exhibit 3,** is in one of the lowest-income tracts in the city with an average household income of $40,764, 44 percent lower than San Pedro at $73,390, 47 percent lower than the City of Los Angeles at $77,102, and 74 percent below Palos Verdes at $154,268. Likewise, educational attainment, as shown in **Exhibit 4,** is low in this tract, with a rate of high school non-equivalency nearly two-and-a-half times higher that San Pedro's.

While the City of San Pedro originally grew up around the Port, it is now largely a bedroom community, with a ratio of jobs to households of 0.35 (compared with a ratio of 1.35 for Los Angeles as a whole), as shown in **Exhibit 6**. Every workday, 23,000 more workers commute out of the City than commute in, resulting in a day population of 56,000 that is 30 percent lower

than the residential population. As shown in **Exhibit 5**, out-commuters can reach much of metropolitan Los Angeles from San Pedro within 35 minutes.

The 10,500 jobs that do exist in San Pedro are concentrated mainly on the provision of basic services. As shown in **Exhibit 7**, the largest job categories in 2011 were Healthcare and Social Assistance, Accommodation and Food Services, and Retail Trade, at 18 percent, 17 percent, and 17 percent of total jobs respectively.

Exhibit 3 Demographic Characteristics

Census Tracts	Average HH Income[1]	Avg. HH Size	Number of Households	Population	% Hispanic Population	% White, Non-Hispanic Population
Tract 60372962.20[2]	$40,764	2.61	1,625	4,307	65%	13%
San Pedro	$73,390	2.60	30,478	79,316	47%	39%
City of Los Angeles	$77,102	2.81	1,318,168	3,792,621		
Rancho Palos Verdes	$154,268	2.65	15,561	41,643		

(1) From 2008-2012 U.S. Census American Community Survey 5-Yr Estimate.
(2) Tract in which Rancho San Pedro is located

Source: 2010 U.S. Census; ESRI BAO; EPS

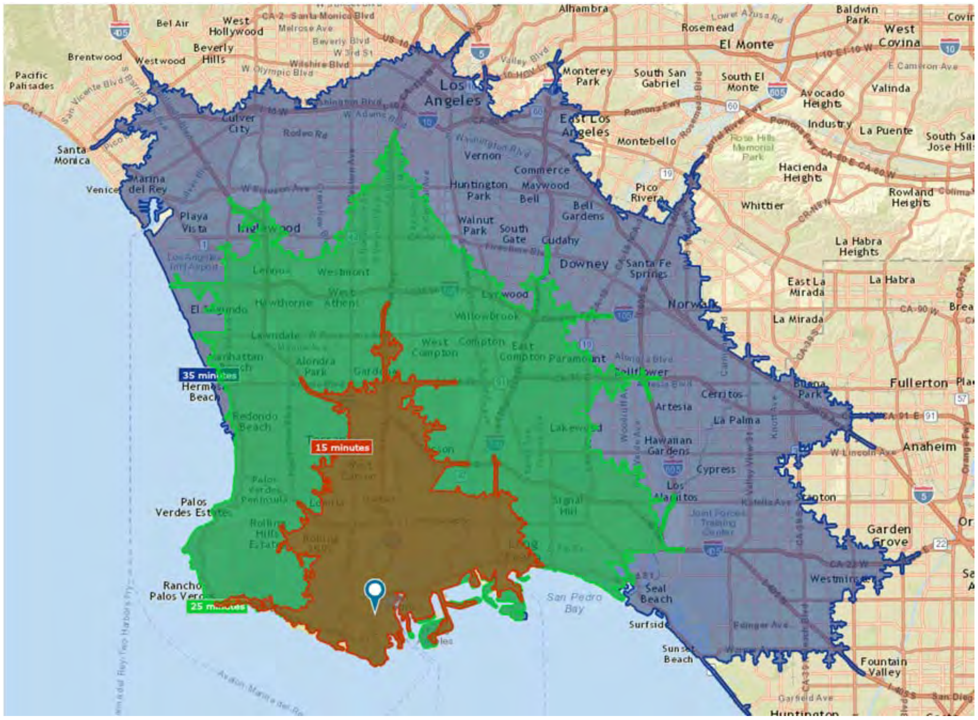
Exhibit 4 Educational Attainment

Area	Less than High School	High School Diploma or Higher	Bachelor's Degree or Higher	Master's Degree or Higher
Tract 060372962.20 [1]	49%	45%	6%	1%
San Pedro	20%	56%	17%	8%
City of Los Angeles	26%	43%	21%	11%

(1) Tract in which Rancho San Pedro is located.

Source: 2010 U.S. Census; ESRI BAO; EPS

Exhibit 5 Commute Times From Rancho San Pedro



Source: ESRI; EPS

Exhibit 6 San Pedro Employment Characteristics

Category	2011
Employment Concentration	
San Pedro Population[1]	79,316
San Pedro Households[1]	30,478
San Pedro Jobs[2]	10,554
Jobs/HH Ratio	0.35
Day Population	
Living in San Pedro but Employed Elsewhere[2]	31,903
Employed in San Pedro but Living Elsewhere[2]	8,142
Net inflow/(outflow)	(23,761)
San Pedro Population[1]	79,316
Total Day Population	55,555
Day Population as % of Residential Population	70%

(1) 2008-2012 U.S. Census American Community Survey 5-Yr Estimate.
(2) 2008-2012 U.S. Census American Community Survey 5-Yr Estimate.

Source: LEHD, ACS, EPS

Exhibit 7 San Pedro Employment Mix

Industry	San Pedro Employment 2002	2011	Change in # of Jobs
Total Jobs	**8,880**	**10,554**	**1,674**
Agriculture, Forestry, Fishing and Hunting	0%	0%	(13)
Mining, Quarrying, and Oil and Gas Extraction	1%	0%	(77)
Utilities	0%	0%	(10)
Construction	7%	4%	(254)
Manufacturing	3%	1%	(185)
Wholesale Trade	5%	3%	(162)
Retail Trade	17%	17%	303
Transportation and Warehousing	5%	8%	401
Information	1%	1%	77
Finance and Insurance	2%	2%	62
Real Estate and Rental and Leasing	2%	1%	(17)
Professional, Scientific, and Technical Services	6%	6%	35
Management of Companies and Enterprises	0%	0%	19
Administration & Support, Waste Management and Remediation	3%	3%	82
Educational Services	1%	8%	766
Health Care and Social Assistance	18%	15%	43
Arts, Entertainment, and Recreation	0%	0%	(21)
Accommodation and Food Services	17%	16%	197
Other Services (excluding Public Administration)	10%	12%	374
Public Administration	NA	1%	NA
	100%	100%	

Source: LEHD; EPS

Implications

Current socio-economic patterns in San Pedro—and in the area of Rancho San Pedro in particular—present challenges to revitalization of the Downtown and adjacent areas. Low incomes limit local spending power, and low educational attainment may require new area employers hire from outside the area, especially where skilled workers are needed. Furthermore, a population that falls 30 percent during the day softens an already modest retail base.

Residential Market

Residential uses are the most likely candidate for the redevelopment of Rancho San Pedro. The site is already located in a residential neighborhood, and many revitalization scenarios would likely aim to replace affordable units on site. Furthermore, because all proposed LA Waterfront initiative projects lie within the Tidelands Trust area, which extends roughly to Harbor Boulevard and restricts against residential uses, sites west of Harbor Boulevard present the closest

opportunity to construct waterside housing. The eastern edge of Rancho San Pedro that meets Harbor Boulevard is one such opportunity.

Most of the existing housing stock in San Pedro is dated. Only 3 percent of the city's 33,000 units have been constructed since 2000, while over 80 percent of units are more than 35 years old, as shown in **Exhibit 8**. Compared to the Los Angeles average, San Pedro housing is slightly older, more renter-oriented, and commands a lower median rent (although home values are slightly higher).

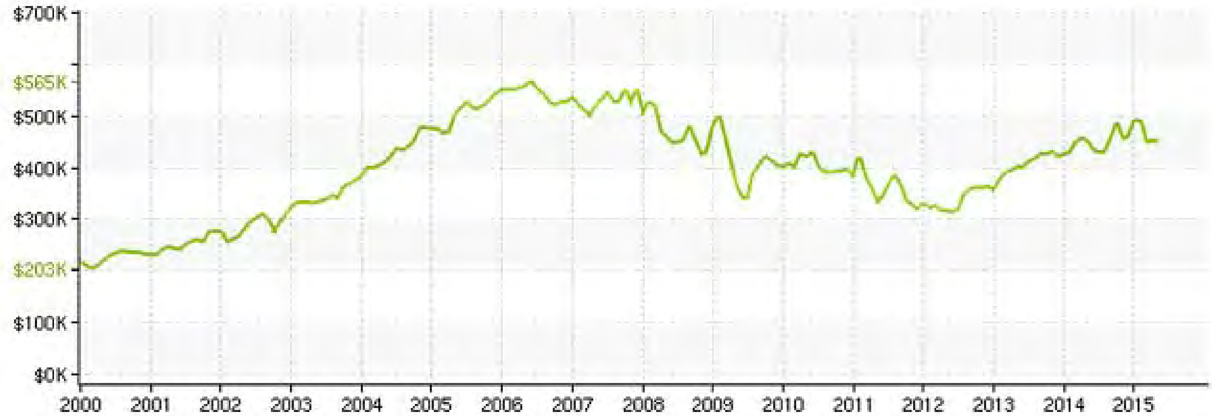
As in much of the rest of California and the country, San Pedro saw a rapid run-up in home values during the mid-2000s before the Recession hit. In **Exhibit 9**, from 2000 to the market peak in 2006, average home values based on sales transactions rose 178 percent from $203,000 to $565,000 before falling to a trough of $300,000 in 2012. Since then values have recovered to nearly 82 percent of peak value. Home values per square foot, shown in **Exhibit 10**, followed a similar pattern.

Exhibit 8 Residential Market Key Statistics

	San Pedro		City of LA
Category	Units	Share	Share
Total Housing Units	32,927	100%	100%
Owner Occupied	13,050	40%	43%
Renter Occupied	17,469	53%	51%
Vacant	2,408	7%	6%
Single-Family (Attached and Detached)	16,238	49%	56%
2 Units	1,226	4%	2%
3-9 Units	8,632	26%	14%
10+ Units	6,571	20%	26%
Mobile Home	260	1%	2%
Unit Built 2000 or Later	1,076	3%	6%
Unit Built 1999-1980	5,580	17%	18%
Unit Built 1979-1940	19,677	60%	61%
Unit Built 1939 or Earlier	6,594	20%	15%
Median Home Value	$457,782		$420,200
Median Contract Rent	$1,031		$1,204

Source: ESRI; U.S. Census Bureau ACS 2009-2013; EPS

Exhibit 9 San Pedro Median Residential Sales Price Trend, 2000-2015



Source: Trulia, EPS

Exhibit 10 San Pedro Residential Average Sales Price / Sq.Ft. Trend, 2000-2015

Source: Trulia, EPS

Several new multifamily residential projects were initiated in Downtown San Pedro in the 2000s by prominent developers. The bullish real estate market, LA Waterfront initiative planning effort (then called the "Bridge to Breakwater" vision), and enthusiastic (and now defunct) Community Redevelopment Authority (CRA), which provided a significant amount of developer subsidy, led to the first new residential construction Downtown in decades. The 585 units constructed Downtown between 2006 and 2015 are shown on **Exhibit 11**.

The underlying rationale for this new residential development still holds true today: the San Pedro Downtown area offers one of the few remaining underdeveloped opportunities for waterfront living in all of Southern California, the Port provides an authentic atmosphere with a unique sense of place, and, as illustrated in **Exhibit 12**, residential values in San Pedro are lower than in other waterfront cities, providing an attractive alternative to residents priced out of places like Santa Monica, Venice, and Redondo Beach. Nonetheless, each of the market-rate projects in the set underperformed greatly. While some of this underperformance can be attributed to the Recession, the projects also illustrate the limits of today's San Pedro residential market.

Exhibit 11 Downtown San Pedro Residential Development since 2006

Building Name	Address	Developer	Built	RBA	Units	Sq.Ft./ Unit	Type	Stories	Room Mix 1BR	2BR	3BR
Pacific Avenue Arts Colony	325 S Pacific Ave	Meta	2015	84,267	48	965	Affordable Artist Lofts	3	21%	46%	33%
The Vue	255 W 5th St	Galaxy/Carlyle	2008	328,314	332	1,158	High-rise condos turned rental	15	33%	50%	17%
San Pedro Bank Lofts	407 W 7th St	Urban Pacific	2007	128,201	89	1,414	Condos turned rental	4	100%	0%	0%
Centre Street Lofts	630 Centre St	CIM	2006	188,000	116	1,414	Residential/Retail MU Condo	5	NA	NA	NA
				728,782	585				41%	43%	16%

Source: CoStar, newswire reports, literature search

Exhibit 12 Average Residential Values by City

City	Residential Values, 5/30/2015 Median Sales Price	Average Price/Sq.Ft.
San Pedro	$466,250	$367
Redondo Beach	$829,000	$581
Hermosa Beach	$1,310,000	$855
Manhattan Beach	$2,000,000	$1,022
Venice	$1,485,000	$1,090
Santa Monica	$1,270,000	$1,025

Source: Trulia

The most prominent project in the set is Vue, a glossy 16-story condominium tower constructed for $175 million at the corner of Harbor and 5th Street. There was no precedent for high-rise living condominium living in San Pedro when Vue opened in 2009 during the Recession, and there have been no equivalent projects since. The developer had trouble finding buyers for the 318 units, and the project eventually went into foreclosure and sold for $80 million in 2011. Now operating as a rental property, the Vue's rents are the highest in San Pedro, averaging $2,488 per unit and $2.24 per square foot, as shown on **Exhibit 13**.

San Pedro Bank Lofts was another high-profile condominium project. Constructed around a preserved historic hotel façade in the heart of Downtown, Bank Lofts also opened during the recession and like Vue couldn't find condominium buyers, even after lowering asking prices considerably. It now operates as a rental property, commanding rents ranging from $1.13 to $1.57 per square foot, which are considerably lower than those at Vue (see **Exhibit 13).** Because Vue and Bank Lofts are new buildings that have been built out to a condominium-level

of fit and finish, they currently represent the top-of-market achievable multifamily rents in San Pedro.

The other two recent notable Downtown projects are the Centre Street Lofts and the Pacific Avenue Arts Colony. Centre Street Lofts, which opened in 2006, managed to sell out before the impacts of the Recession were strongly felt. However, as the transaction history of Unit #219 indicates on **Exhibit 14**, the units did not hold their value. Furthermore, it should be noted, the developer received a large amount of subsidy from the CRA, including the land, $4.5 million for public parking and retail components of the project, and up to $3.36 million in soft second mortgage financing.[3] Today, under current market conditions and without the subsidy, this project would not be built.

Finally, the Pacific Avenue Arts Colony was constructed as an affordable housing project for artists, using substantial contributions from the CRA as part of its financing. Like Centre Street Lofts, this project would not likely be built today under current market conditions and without the subsidy.

Exhibit 13 Top-of Market Downtown San Pedro Rental Comps

Project	Unit	Sq.Ft./Unit	Rent	Rent/Sq.Ft.
The Vue				
	1 Bed	733	$1,890	$2.58
	2 Bed	1,227	$2,588	$2.14
	3 Bed	1,516	$3,380	$2.24
	Average	1,111	$2,488	$2.24
San Pedro Bank Lofts				
	1 Bed Min	974	$1,525	$1.57
	1 Bed Max	2,616	$2,950	$1.13
	1 Bed Average	1,912	$1,385	$1.38

Source: Carmel Vue Residences; EPS

[3] http://www.crala.org/internet-site/Projects/Beacon_Street/centre_street_lofts.cfm

Exhibit 14 Transaction History: Centre Street Lofts, Unit #219

Transaction	Date	Price	Price/Sq.Ft.
Centre Street Lofts #219			
Sold: fourth owner	5/20/2015	$275,000	$367
Sold: third owner	4/12/2011	$212,500	$283
Sale: by bank after foreclosure	12/21/2010	$338,532	$451
Sale: original owner	9/13/2007	$373,636	$498

Source: Redfin

The target customer for the developers of Vue, Bank Lofts, and Centre Street Lofts was likely Millennials in non-family households and Baby-Boomer empty nesters interested in an urban and walkable experience. The room mix, as shown in **Exhibit 15,** strongly skews towards one- and two-bedroom units, rather than the three-bedroom units preferred by families. Furthermore, while some San Pedro Public Schools perform well in terms of API scores, those serving the Downtown area (shown in boxes in **Exhibit 15)** are weaker and less attractive to families with school-age children. For these reasons, Millennials and empty-nesters will likely remain the target customer for near-term new residential development in the Downtown area of San Pedro.

Exhibit 15 San Pedro Public School Performance

School	2013 API
Elementary Schools	
Park Western Place Elementary	956
Taper Avenue Elementary	913
South Shores Magnet School for the Arts	897
White Point Elementary	895
7th Street Elementary	876
Point Fermin Elementary	851
15th Street Elementary	817
Bandini Street Elementary	808
Leland Street Elementary	795
Cabrillo Avenue Elementary	765
Barton Hill Elementary	608
Middle School	
Richard Henry Dana Middle	753
High Schools	
Port of Los Angeles High	834
San Pedro Senior High	718

Source: California Department of Education Analysis, Measurement, & Accountability Reporting Division; California School Ratings; EPS

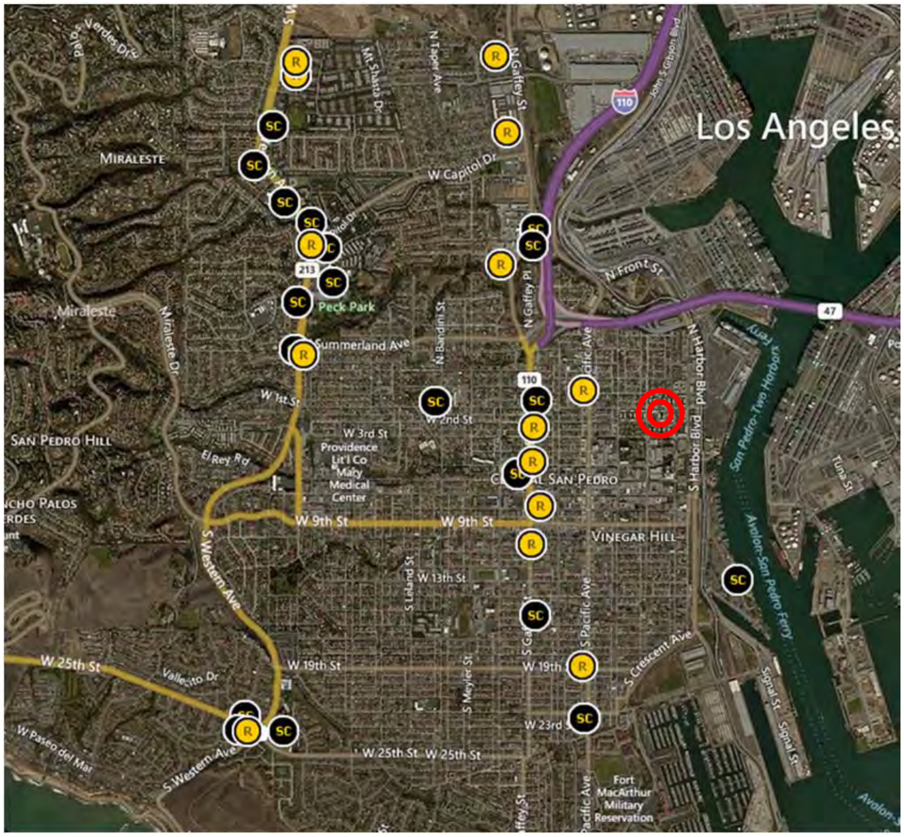
Implications

Despite the relative failure of the multifamily residential projects built in Downtown San Pedro leading up to the recession, the area offers many characteristics desired by Millennials and Baby Boomer empty nesters. In addition to the appeal of the waterfront-proximate location, these characteristics include gritty authenticity and a walkable street grid. However, the area lacks sophisticated urban amenities that complement highly successful residential markets in other gritty areas like Downtown Los Angeles and Venice (of the recent past), such as high-quality restaurants, bars, and boutiques. Consequently, as a market with room to evolve, rents even for the highest-quality properties are modest - by the standards of new market-rate development in the L.A. region- and thus offer only moderate incentive for new development without public investment/support. Furthermore, while past developers may have been willing to place a bet on the timing of the LA Waterfront initiative, future developers have signaled that they are likely to be more conservative. This underlines the importance of public/private partnerships in supporting new residential developments in the short term along with the critical importance of the broader LA waterfront initiative.

Retail

Most retail in San Pedro is concentrated along the major north-south boulevards Western Avenue and Gaffey Street. The Western Avenue corridor serves both San Pedro to the east, the affluent residential communities of Palos Verdes and Hidden Creeks to the West, and to a lesser extent the communities of Lomita and Harbor City to the north. Gaffey Street runs through the middle of San Pedro before connecting directly to the 110 highway, which brings access from Long Beach and beyond. Most new retail construction in San Pedro since 2000 occurred on these corridors, as shown in **Exhibit 16**. The area around Rancho San Pedro is notably devoid of both shopping centers and new retail construction.

Exhibit 16 New Retail Construction Since 2000 and All Shopping Centers



Source: CoStar, EPS

Waterfront communities often show similar retail dispersion patterns as trade area size decreases closer to the water. This phenomenon is accentuated by the fact that residents living inland in San Pedro have more spending power than those near Rancho San Pedro. **Exhibit 17** shows where Rancho San Pedro is located relative to two major shopping center nodes on Western Avenue. The larger of the two includes four adjacent shopping centers (The Terraces, Harbor Cove, Park Plaza, and Tarragona Plaza) totaling nearly 500,000 square feet, while the smaller (comprising Harbor Village, South Shores, and a Vons Center) totals 140,000 square feet. Half or more of the trade area around Rancho San Pedro is occupied by water and port facilities, while the other shopping centers draw from a (mostly) populated area.

Exhibit 17 Retail Trade-Area Comparison (0.75 Miles)

Source: ESRI, EPS

The addressable population of the three areas, as shown in **Exhibit 18**, is somewhat close, suggesting that the density in the populated areas around Rancho San Pedro is relatively high. Trade area demographics diverge sharply in the categories of income and educational attainment, however. This level of poverty around Rancho San Pedro is a significant deterrent for retail and shopping center developers.

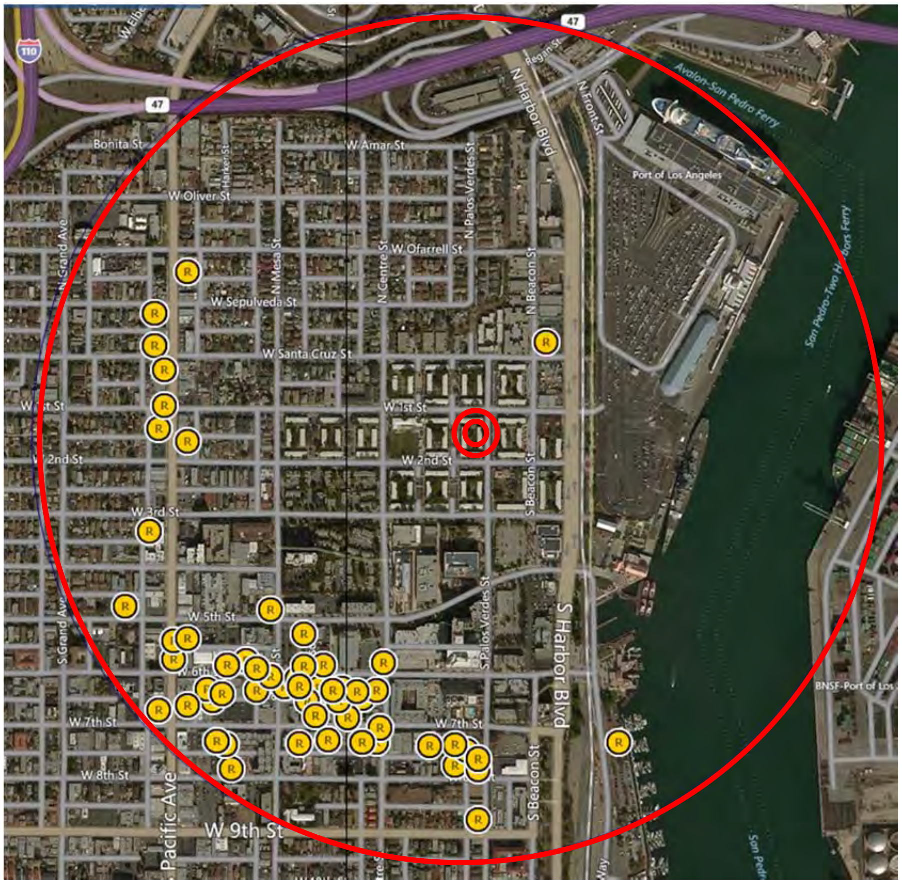
Exhibit 18 Demographics of Three Retail Trade Areas (0.75 Mile Radius)

Center	Rancho San Pedro	The Terraces/ Harbor Cove/ Park Plaza/ Tarragona Plaza	Harbor Village/South Shores/Vons
Leasable Area		*489,000 Sq.Ft.*	*142,000 Sq.Ft.*
General			
Population	12,404	14,845	11,829
Households	4,177	5,785	4,621
Housing Units	4,498	6,055	4,847
Population/Household	2.97	2.57	2.56
Income			
Median Household Income	$27,736	$78,599	$81,573
Per Capita Household Income	$14,949	$36,968	$39,325
Households Below Poverty Level	33.9%	8.5%	6.1%
Educational Attainment (Age 25+)			
Total	7,559	10,772	8,686
Less than High School Diploma	39%	13%	8%
High School Diploma or GED	24%	20%	20%
Bachelor's, Associates, or some college	34%	56%	60%
Post-Graduate degree	3%	11%	12%

Source: U.S. Census Bureau, 2009-2013 American Community Survey, EPS

While there are no shopping centers near Rancho San Pedro, the San Pedro Downtown and Pacific Avenue corridor do feature a number of outlets with modestly performing retailers, restaurants, bars, and service-oriented entities totaling 386,000 square feet within a half-mile radius (see **Exhibit 19)**, which is equivalent to 18 percent of the San Pedro total. The asking rents and vacancy rates of the outlets in this set significantly underperform that of San Pedro as a whole, as shown in **Exhibit 20.**

Exhibit 19 Half-Mile Radius Retail Concentration



Source: CoStar, EPS

Exhibit 20 San Pedro Retail Performance: City vs. Rancho San Pedro

Category	All San Pedro	Half-Mile Radius from Rancho San Pedro
NNN Rent Per Sq.Ft.	$1.41	$1.06
Vacancy Rate	3.8%	11.6%
Existing Buildings	224	57
Existing SF	2,134,819	386,434
12 Mo. Const. Starts	0	0
12 Mo. Deliveries	0	0

Source: CoStar; EPS

Implications

With significant destination retail nodes operating (e.g., Crafted), proposed (Ports O' Call Village development), and anticipated (a rejuvenated Downtown San Pedro) as part of the LA Waterfront initiative, it is likely that to be viable, retail development at Rancho San Pedro will need to complement rather than compete with these initiatives with resident- and worker-serving convenience retail.

Neighborhood retail is dependent on residential density and spending power, and/or a large day population of workers or students, neither of which is evident at this time near Rancho San Pedro. Full build-out of the LA Waterfront initiative could increase the day population and stimulate new retail-supporting residential development in the longer-term. Downtown San Pedro would benefit directly and likely see broad improvement in the quality and vitality of its retail and service mix. In the short-term, however the weak rents and relatively high vacancies in the Rancho San Pedro area—even at newer properties—do not provide a strong market incentive for significant new retail development.

Hotel

The local hotel market in which San Pedro competes includes coastal communities stretching from LAX to Long Beach. As shown in **Exhibit 21**, this market consists of almost 21,000 rooms, to which San Pedro contributes 1,073, or 5 percent. A further breakdown of this set, in **Exhibit 22,** shows two San Pedro hotels in particular—the Crowne Plaza and the Doubletree—dominate local inventory.

Exhibit 21 Coastal Communities Hotel Market

Market	Rooms	Market Share
South Bay (excl. San Pedro)	4,992	24%
San Pedro	**1,073**	**5%**
Long Beach	4,047	19%
Airport	10,808	52%
Total	**20,920**	**100%**

Source: PKF Consulting; Pro Forma Advisors; EPS

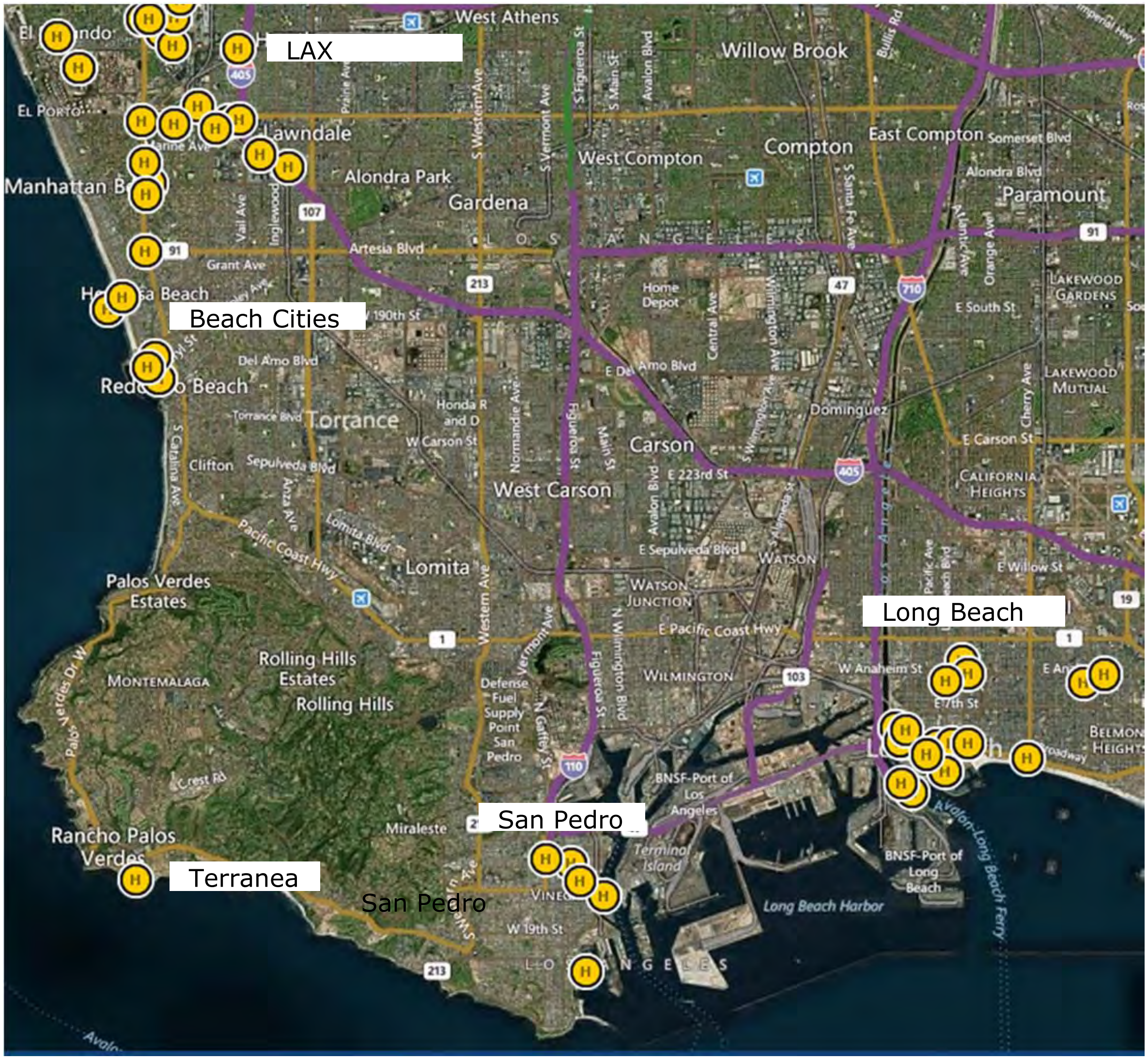
Exhibit 22 San Pedro Hotel Market Entities

Property	Rooms	STR Classification
Crowne Plaza Los Angeles Harbor Hotel	244	Upscale
Doubletree Hotel San Pedro	226	Upscale
Sunrise Hotel	110	Independent
Vagabond Inn San Pedro	73	Midscale
Best Western Los Angeles Worldport Hotel	72	Midscale
Best Western Plus San Pedro Hotel & Suites	60	Upper Midscale
Harbor Inn Hotel & Suites	36	Independent
Rodeway Inn & Suites Pacific Coast Highway	33	Economy
America's Best Value Inn Rancho Palos Verdes	30	Economy
Pleasant Holiday Motel	30	Independent
Rose Inn	26	Independent
All Star Inn	25	Independent
Hotel Del Mar	24	Independent
Islander Hotel	22	Independent
Crescent Inn	22	Independent
Pacific Inn	20	Independent
West Coast Inn Motel	20	Independent
Total	**1,073**	

Source: STR; Pro Forma Advisors; EPS

As shown on the **Exhibit 23** map, the coastal communities hotel market clusters in discrete areas. The largest at LAX serves the entire region with airport-adjacent rooms. Anecdotally, San Pedro may be experiencing hotel leakage to LAX for cruise ship visitors who fly in to the region. However, most cruise visitors are based in the region, and actual lost revenue is likely to be small. Beach Cities hotels in Manhattan Beach, Hermosa Beach, and Redondo Beach primarily serve tourists to those cities. Terranea in Palos Verdes is unique as one of the few five-star waterfront destination resorts in LA County. And Long Beach hotels serve the Convention Center primarily, business travelers secondly.

Exhibit 23 Coastal Communities Hotel Market



Anecdotally, both the Crowne Plaza and Doubletree are performing moderately well. The estimated ADRs of each, shown in **Exhibit 24** and **Exhibit 25**, imply a moderately stable market with adequate supply for existing demand. Only when the market supports significantly higher room rates or extremely high occupancy rates (greater than 75 percent) is there likely to be sufficient demand for new supply. While several recent LA Waterfront projects have helped boost tourism, including Crafted and the Iowa, the vast majority of these visitors are day-trippers. Market support for a new hotel will likely require a big jump in overnight visitors as well.

Exhibit 24 Crowne Plaza Hotel Estimated Average Daily Rate

Room Type	Room Rate
1 King Bed Leisure	$179
Standard Room	$179
2 Double Beds	$188
1 King Bed	$206
King Deluxe Mobil Accessible Tub	$206
2 Double Beds Club Floor	$215
1 King Bed Deluxe Minisuite	$224
1 King Executive	$243
1 King Bed Suite	$261
Suite w/Two Double Beds	$279
Average	**$218**

(1) These nightly rates represent room rates from the hotel website for February 9 - February 19. EPS found that while room rates fluctuate considerably on a weekly basis in the near future, room rates stabilize to a presumed average nightly rate when searching for accomodations beyond December 2015 through the first half of 2016.

Source: Crowne Plaza Los Angeles Harbor Hotel

Exhibit 25 Doubletree Hotel Estimated Average Daily Rate

Room Type	Room Rate
1 King Bed Guest Room	$169
2 Queen Bed Guest Room	$169
1 Queen Bed	$169
1 King Bed Marina View	$189
2 Queen Beds Marina View	$189
2 Queen Beds w/Balcony-Marina View	$204
1 King Bed w/Balcony-Marina View	$204
1 King Jr. Suite-Marina View	$229
1 King Bed 2 Room Suite	$319
1 King Suite w/Marina View	$319
1 King 2 Rm Presidential Suite w/Marina View	$359
Average	**$229**

(1) These nightly rates represent room rates from the hotel website for February 9 - February 19. EPS found that while room rates fluctuate considerably on a weekly basis in the near future, room rates stabilize to a presumed average nightly rate when searching for accomodations beyond December 2015 through the first half of 2016.

Source: Doubletree by Hilton Hotel San Pedro

Implications

The current supply of hotel rooms in San Pedro along with the competitive supply in other proximate communities means that new hotel development is not likely to be viable in the short term. New hotel demand will depend on the planned investments along the LA Waterfront and an associated attraction of overnight visitors along with any general increases in the number of San Pedro residents and businesses. While close to the waterfront, the available amenities surrounding Rancho San Pedro will need to expand for it to compete with other potential locations within San Pedro when hotel development becomes a possibility.

Office Market

San Pedro does not have a significant office market within the region. Located in the South Bay submarket, an area that includes competitive clusters of Class A office space in Long Beach, El Segundo, Torrance, and Redondo Beach, San Pedro's overall share of office inventory (which includes all office classes) is 4 percent, as indicated in **Exhibit 26**.

While average rents in San Pedro are roughly equivalent to the submarket average, San Pedro's office vacancy rate of 19.4 percent is significantly higher than the submarket average of 10.8 percent. Since 2000, over 4.3 million square feet of office has been constructed in the South Bay submarket (a number which includes adaptive reuse office conversions) for an overall increase of 16 percent. During that time, a little more than 6,000 square feet of office space was added in San Pedro, an increase of less than one percent, indicating that the San Pedro market has been in decline relative to the region.

The little new office development that has occurred in San Pedro is located near the Western Avenue corridor on the west side of the City, as shown in **Exhibit 27**. This location, compared to Downtown San Pedro, offers relatively high population density, a number of nearby shopping centers, and convenient proximity to the affluent Palos Verdes community further west.

Exhibit 26 South Bay and San Pedro Office Market Indicators

Category	All		Constructed Since 2000	
	South Bay (1)	San Pedro	South Bay	San Pedro
Performance				
NNN Rent/SF	$2.14	$2.17	$2.47	NA
Vacancy	10.8%	19.4%	3.2%	NA
Months on Market	18.0	16.0	9.9	NA
Inventory				
Existing Buildings	1,637	95	154	2
Existing SF	31,890,896	1,278,481	4,315,928	6,339
Market Share	100%	4%	100%	0.15%

(1) South Bay Includes Long Beach, Beach Cities, San Pedro, Palos Verdes, Inglewood, Torrance, El Segundo

Source: CoStar; EPS

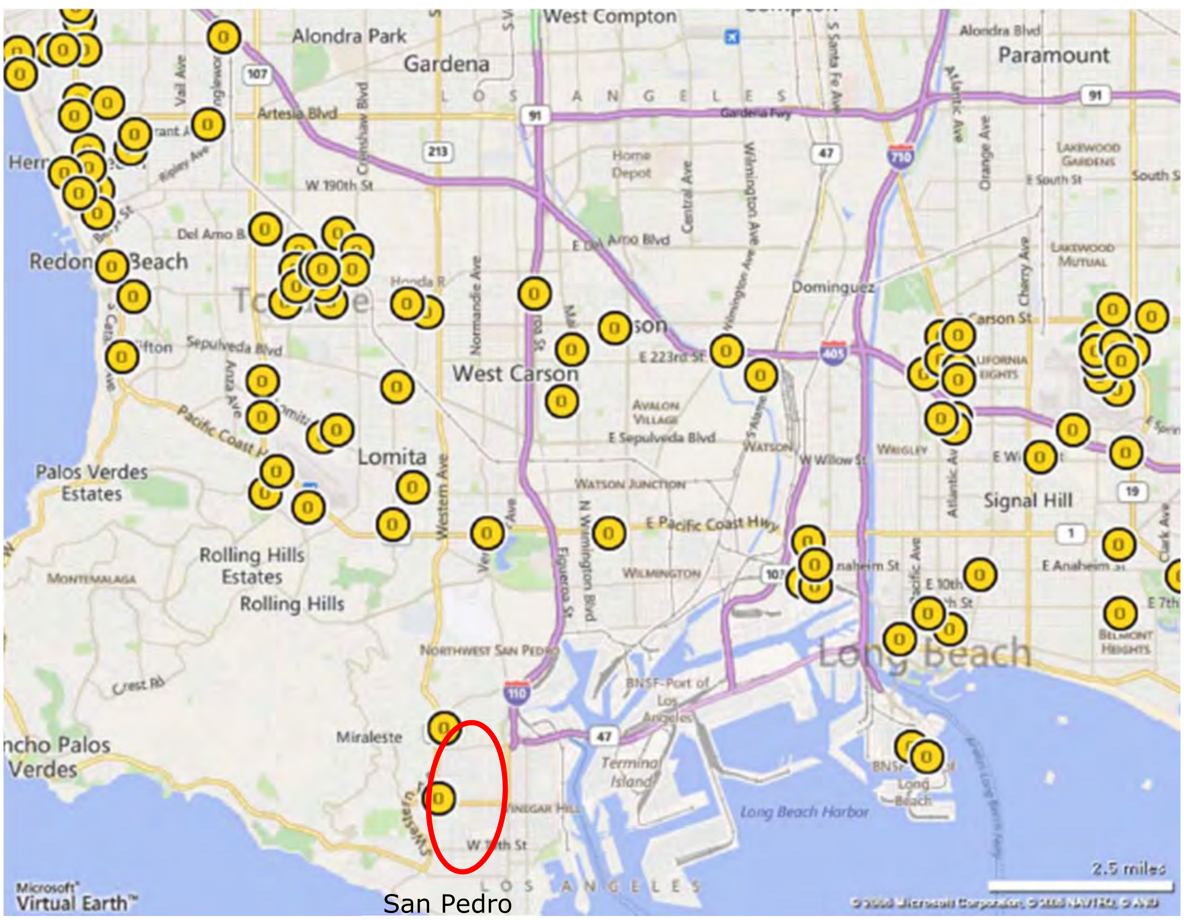
Implications

While the San Pedro office market does not appear likely to support significant new development in the area around Rancho San Pedro in the near term, trends in creative office development coupled with the LA Waterfront initiative could, over time, lead to growth in this sector.

Communication technology has enabled workers in many sectors to loosen ties with central offices and has given rise to a wider distribution of employment centers. "Silicon Beach," which broadly describes a growing set of Los Angeles-based technology-oriented start-ups, has outposts all over the city. These companies tend to favor non-traditional office space in communities with attractive amenities and a strong sense of place, which has led to a wave of adaptive-reuse creative office development in areas such as Santa Monica, El Segundo, Hermosa Beach, and the Arts District of downtown Los Angeles. San Pedro, and the Downtown area in particular, offers just such a sense of place. However, until there is a significant concentration of amenities such as restaurants, bars, and non-vehicular access infrastructure, creative office growth will be slow at best.

The proposed Alta Sea research institute, which would occupy a converted warehouse space at the southern end of the LA waterfront, could potentially provide a seed for marine-related research and development activity. Such research entities can help catalyze employment growth and related real estate development. This potential outcome is years away at the earliest, however, as Alta Sea must still raise most of its proposed budget before development can occur.

Exhibit 27 South Bay Office Constructed Since 2000



Source: CoStar, EPS

EXISTING CONDITIONS:

Affordable Housing Financing Context

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2. EXISTING CONDITIONS: AFFORDABLE HOUSING FINANCING CONTEXT

This section describes the general range of funding available to support the rehabilitation and (re)development of affordable housing. Major potential funding sources are grouped into federal, State, locally controlled, and private funding sources. For each source, the following information is provided:

- Funding source overview
- Eligible project description
- Maximum funding amount
- Level of competition for available funds
- Other pertinent information

The attached *Affordable Housing Funding Sources Matrix* prepared by CSG Advisors provides this information and represents the core content of this section. The narrative below provides a broader context for this set of affordable housing funding sources and draws initial conclusions about their potential applicability/availability for RSP Revitalization.

Funding Context

By most accounts, funding for the development of affordable housing in California is currently constrained. The effective end of federally sponsored efforts to redevelop public housing through the HOPE VI program and significant cuts to subsequent and other federal funding programs, such as HOME improvement partnerships, have substantially lessened the federal's government direct support for new affordable housing development and redevelopment. State grants programs, such as the Multifamily Housing Program (MHP), are no longer receiving additional funding making State funding more limited and competitive. Further, the State of California's elimination of Local Redevelopment Agencies in 2012 and the loss of the associated allocation of tax increment towards affordable housing (as well as infrastructure) have substantially reduced locally controlled affordable housing funding sources.

At the same time, long-time programs, such as Section 8 Operating Assistance Programs, continue to play a critical role in helping low income households find housing on the open market. Similarly, the Low-Income Housing Tax Credit (LIHTC) program continues to ensure that substantial private capital is available to fund significant portions of new affordable housing development projects, whether through the 4 percent or the 9 percent tax credit programs. As a targeted investment area for lenders and investors seeking to fulfill Community Reinvestment Act goals, Los Angeles also benefits from some of the most competitive pricing in the country.

In the absence of more substantial funding, at the federal level, the Department of Housing and Urban Development (HUD) has introduced new programs such as Rental Assistance Demonstration (RAD) to provide new ways for Public Housing Authorities to finance rehabilitation. The State is also allocating some of its more recent revenue sources from "Cap

and Trade" towards infill, transit-oriented affordable housing projects through the Affordable Housing and Sustainable Communities Program. And, finally, there are ongoing and evolving practices that combine public policy, public investment, and private development to directly produce mixed-income development projects (e.g., inclusionary housing in private developments), affordable housing in communities with a strong housing market (e.g., payment of affordable housing fees) and/or land dedication by market rate developments), and a range of other programs that leverage the value of new entitlements for market rate development, available public investments, tax credits and/or philanthropic ventures among others, to produce housing for a mix of income groups.

RSP Revitalization and Affordable Housing Funding

The *Affordable Housing Funding Sources Matrix* provides important background information that will inform the evaluation of different RSP revitalization scenarios from the perspective of both financial feasibility and implementation hurdles. Initial insights for RSP revitalization include:

1. **Reliance on direct federal capital funding should be minimized**. At the current time, available federal funding through programs such as the Choice Neighborhoods Initiative (CNI) is very limited. While more substantial funding could become available during the course of any potential RSP revitalization effort, the emergence of new federal funding sources is not guaranteed.

2. **State funding sources are more promising for RSP, but are highly competitive**. State funding sources, such as the Affordable Housing and Sustainable Communities Program, could provide funding for RSP rehabilitation or redevelopment, though all the significant State funding sources are highly competitive.

3. **The City's Affordable Housing Trust Fund may be critical to filling funding gaps under any revitalization scenario**. The City's Affordable Housing Trust Fund obtains funding from a variety of sources, several of which are more limited than in prior decades. Nevertheless, this source of funding could be critical to providing gap funding to revitalization scenarios that might be close to feasibility without it. Any RSP revitalization scenario would need to compete with other eligible projects in the City of Los Angeles, including Jordan Downs, for this funding and likely for State funding also.

4. **Low Income Housing Tax Credit funding is likely to be a critical funding source for the rehabilitation or replacement of affordable housing units**. Given the increasingly competitive nature of the 9 percent tax credit program, the 4 percent tax credit program could be the foundational funding source for all rehabilitation and replacement scenarios.

5. **The RAD program can provide helpful but limited funding**. Conversion of the RSP public housing units to Section 8 under the RAD program would allow for debt issuance in support of rehabilitation or replacement/redevelopment. While potential capital funding through a RAD conversion depends on project specifics, the RAD program often generates between $10,000 and $20,000 per unit in supportable debt. This level of funding is likely to be more meaningful (on a proportionate basis) to rehabilitation scenarios than replacement/redevelopment scenarios.

6. **Conversion of RSP public housing units to Section 8 Tenant Protection Vouchers faces significant hurdles, but could play an important role in funding any RSP revitalization efforts**. With conversion to Section 8 voucher programs, revenues would be substantially higher at HUD's fair market rents. After operating costs are covered, the additional revenues could be used to help finance the cost of replacement/redevelopment or the cost of the 20-year capital plan. Conversion to tenant protection vouchers, however, typically requires the existing units to show high levels of obsolescence. Alternatively, in collaboration with the City and the Housing Trust Fund, it may be possible to do the RAD conversion at RSP and then transfer the RAD units to other affordable housing properties, potentially allowing for the RSP units to be backfilled with Section 8 project-based vouchers.

7. **In the case of any resident displacement, access to tenant protection vouchers would be helpful**. Whether used to support financing at RSP or not, tenant protection vouchers will be important under any scenario in which residents are displaced because they provide higher rents than do comparable RAD vouchers. Again, such conversions include requirements for obsolescence that RSP may not meet.

8. **Mixed-Income developments created under HOPE VI and similar programs showed substantial hurdles to the hoped-for cross subsidization of public housing by the newly created market rate units.** The now discontinued HOPE VI program, which supported the redevelopment of public housing projects across the U.S. between 1992 and 2010, often included a mix of new market-rate, affordable, and public housing units. On a financing level, many expected that the new market rate development component might be able to cross-subsidize the redevelopment of the public housing. In several cases, however, the relatively low market rents achieved, combined with the non-availability of tax credits for such units and the relatively high redevelopment costs of public/affordable housing meant that the inclusion of market rate units did not provide a financing advantage.

Key Funding Sources for Affordable Housing					
Funding Source	**Overview**	**Eligible Projects**	**Maximum Funding Amount**	**Competition for Available Funds**	**Comments**
I. Federal Sources					
A. Section 8 Operating Assistance Programs					
1. Project-Based Vouchers ("PBVs")	The Section 8 program provides operating assistance equal to the difference between tenant-paid rents and established Section 8 rent levels. With PBVs, developers may borrow against the net operating income generated from Section 8 operating subsidies, which private lenders typically consider a safe revenue stream.	Projects must receive an allocation of project-based Section 8 vouchers from the local housing authority. Households must earn 50% of Area Median Income (AMI) or below.	No limit on supportable loan amounts. Contract rents are generally based on HUD's published Fair Market Rents.	Low	2015 NOFA was issued in May.
2. Tenant Protection Vouchers ("TPVs")	Public housing authorities ("PHAs") may convert public housing units to Section 8 under certain conditions, most often if a project's physical needs exceed 57% of HUD's estimated replacement cost (around $128K for a 2-bedroom unit). Upon approval for such conversion, projects are available to receive TPVs to relocate existing tenants.	Existing public housing projects considered to be "obsolete" by HUD criteria (typically with physical needs of over $100K per unit).	No limit on supportable loan amounts. Contract rents are generally based on HUD's published Fair Market Rents.	Medium	While TPV funding is limited, HUD indicates that no eligible applicant has been refused.
3. Rental Assistance Demonstration ("RAD")	PHAs may also convert public housing units to Section 8 under the RAD Program. Under RAD, contract rents are based on a project's current funding level (public housing operating and capital funds provided by HUD). RAD rents are typically lower than the "Fair Market Rents" that generally govern Section 8 contract rents. To convert assistance, PHAs must ensure units are fully replaced and/or that all 20-year capital needs are addressed.	Existing public housing projects.	No limit on supportable loan amounts. Contract rents limited to existing funding provided under the public housing program.	Low	Current limit of 185,000 RAD units, though many expect this limit to be increased over the next few years.

Key Funding Sources for Affordable Housing					
Funding Source	**Overview**	**Eligible Projects**	**Maximum Funding Amount**	**Competition for Available Funds**	**Comments**
B. Federal Capital Assistance					
1. Choice Neighborhoods Initiative ("CNI")	The CNI program provides grants to help communities transform neighborhoods by revitalizing severely distressed public and/or assisted housing and investing and leveraging investments in well-functioning services, high quality public schools and education programs, high quality early learning programs and services, public assets, public transportation, and improved access to jobs.	Projects that include at least one distressed HUD assisted housing development in their target neighborhood.	$30 million	Extremely Competitive	Most recent NOFA deadline was February 2015, with total funding availability of $76 million.
2. EB-5 Visa Program	The EB-5 program requires an investor (foreign national) to make an investment of $1 million ($500K in areas of high unemployment) in a commercial enterprise that will employ at least 10 full-time United States workers. The investor receives unconditional permanent residency status upon satisfying program requirements and demonstrating the required number of full-time jobs has been created.	Projects that will create at least 10 full-time jobs lasting a minimum of 24 months.	N/A Maximum determined by number of long-term jobs created.	Somewhat Competitive (process required to have project approved)	Because EB-5 credits are tied to permanent jobs lasting more than 24 months, many new rental construction projects, and most rental rehab projects, do not generate sufficient jobs to qualify.

Key Funding Sources for Affordable Housing					
Funding Source	**Overview**	**Eligible Projects**	**Maximum Funding Amount**	**Competition for Available Funds**	**Comments**
II. State Funding Sources					
1. Affordable Housing and Sustainable Communities Program ("Cap and Trade")	Program invests in affordable housing projects that reduce greenhouse gas emissions by supporting more compact, infill development patterns, encouraging active transportation and transit usage, and protecting agricultural land from sprawl development.	Projects must be: a) new construction, acqu/rehab or adaptive reuse; b) located within 1/2 mile from transit stop (bus qualifies); c) include at least 20 percent of total residential units as affordable; and d) have minimum net density of 30 units per acre or 2.0 FAR for mixed-use	$8 million	Competitive	Cap and Trade funds are expected to increase over time.
2. Veterans Housing and Homelessness Prevention Program ("Cal- Vet")	The VHHP provides funding for the development of new affordable housing for veterans and their families. The VHHP requires an emphasis on developing housing for veterans who are homeless or have extremely low income.	Affordable rental housing development or transitional housing with deeply affordable units at 30% of AMI and 45% of AMI and below.	$10 million	Competitive	Initial NOFA provided $75 million in funds; applications were due in April 2015.
3. Multi-family Housing Program ("MHP")	Provides funding for the development of affordable multifamily rental housing. MHP includes funding for general units and a special program for permanent supportive housing ("PSH") units.	Projects involving new construction, rehabilitation, and/or preservation of affordable housing.	$7 million max per most recent NOFA, subject to per-unit loan limits that vary by bedroom size and income targeting.	Very Competitive	NOFA expected in 2015, funding based on reclaimed funds from projects that missed milestones and funding deadlines.
4. Infill Infrastructure Grant Program	Program's primary objective is to promote infill housing development. The program provides financial assistance for infrastructure improvements necessary to facilitate new infill housing development. Housing and mixed-use building costs are ineligible; this source primarily of benefit for infrastructure costs in	Projects must be: a) located in an urbanized area and locality; b) include at least 15% of total residential units; and c) at least 75% of the area within the qualifying infill project or infill area.	$4 million	Very Competitive	NOFA expected in 2016; amount based on current projects that miss funding deadlines. Not applicable for rehab.

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Key Funding Sources for Affordable Housing					
Funding Source	**Overview**	**Eligible Projects**	**Maximum Funding Amount**	**Competition for Available Funds**	**Comments**
	new construction scenarios.				
III. Locally Controlled Sources					
1. Low-Income Housing Tax Credits ("LIHTC")	Provides federal tax credits to subsidize acquisition, rehabilitation, and construction of affordable rental housing. Tax credits provide dollar-for-dollar reductions in federal tax liabilities over a ten-year period, subject to federal and state compliance requirements. Investors provide upfront cash to the partnership in exchange for the tax credits and other benefits. LIHTCs are available for units that are both income- and rent-restricted to households earning up to 60% of area median income (AMI). In many cases units are restricted to even lower AMI levels to compete successfully for the more valuable 9% credit allocations.	Three types of affordable rental housing: 1) new construction or substantial rehabilitation <u>without</u> federal subsidies (9% credits); 2) new construction or substantial rehabilitation <u>with</u> federal subsidies (4% credits); 3) acquisition of an existing building that will be substantially rehabilitated (4% acquisition credits).	9% Credits: $2.5 million in annual credits, or $25 million over 10-year credit period. A $2.5 million allocation of annual credits could raise $25-$30 million in equity. 4% Credits: N/A	Very Competitive (9% credits) Not Competitive (4% credits)	The California Tax Credit Allocation Committee ("CTCAC") allocates these federal tax credits. CTCAC allocates 9% credits to projects in Los Angeles based on a project pipeline managed by the LA Housing + Community Investment Dept. (LAHCID). 4% credits are subject to an allocation of private activity volume cap from the CA Debt Limit Allocation Committee.
2. Affordable Housing Trust Fund (including HOME and CDBG funds)	The Affordable Housing Trust Fund (AHTF) creates affordable rental housing for low- and very low- income households by making long-term loans for new construction or for the rehabilitation of existing residential structures through a competitive Notice of Funding Availability (NOFA) process. AHTF is comprised of various funding sources, including federal HOME Investment Partnership Program (HOME) funds and Community	Multi-family rental housing projects with units affordable to households at 60% of AMI or below.	Subject to per unit limitations of $83-$115K, depending on unit size and project type. Maximum per project funding is $14 million.	Competitive	Most recent NOFA deadline is June 22, 2015

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Key Funding Sources for Affordable Housing					
Funding Source	**Overview**	**Eligible Projects**	**Maximum Funding Amount**	**Competition for Available Funds**	**Comments**
	Development Block Grant (CDBG) funds.				
3. New Generation Fund	The New Generation Fund (the "Fund") offers flexible acquisition and predevelopment financing for developers committed to the creation and preservation of affordable housing in the City of Los Angeles. Made possible through a partnership between the Los Angeles Housing + Community Investment Department, local foundations and public and private investment groups, the Fund is capitalized with $52 million of lendable proceeds and provides short-term loans.	Acquisition of vacant sites or occupied residential properties, and predevelopment expenses.	Loan of up to $15,000,000	TBD	Generally the Fund is repaid from construction financing proceeds.
IV. Private Funding Sources					
1. Federal Home Loan Bank Affordable Housing Program (“AHP”)	The Affordable Housing Program (AHP) is a private subsidy program run by each of the nation’s twelve regional Federal Home Loan Banks (FHLB). Applicants must partner with a member institution to submit an AHP application. The member bank must underwrite the development proposed in the AHP application and review the project’s schedule to reasonably assure that it will be ready to draw funds within one year of application approval.	Criteria vary by each FHLB, but generally include new construction and rehab of affordable multifamily rental housing.	Max. grant amounts and other application and eligibility requirements vary significantly from one FHLB to the next, but grants typically are in the range of $500,000 to $3 million.	Competitive	FHLB considers AHP a gap-funding program designed to fill relatively modest gaps in project funding.

EXISTING CONDITIONS:

Policy, Regulatory, and Physical Context

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HACLA
RANCHO SAN PEDRO FEASIBILITY ANALYSIS: TASK 2 - EXISTING CONDITIONS ANALYSIS
QDG
architecture

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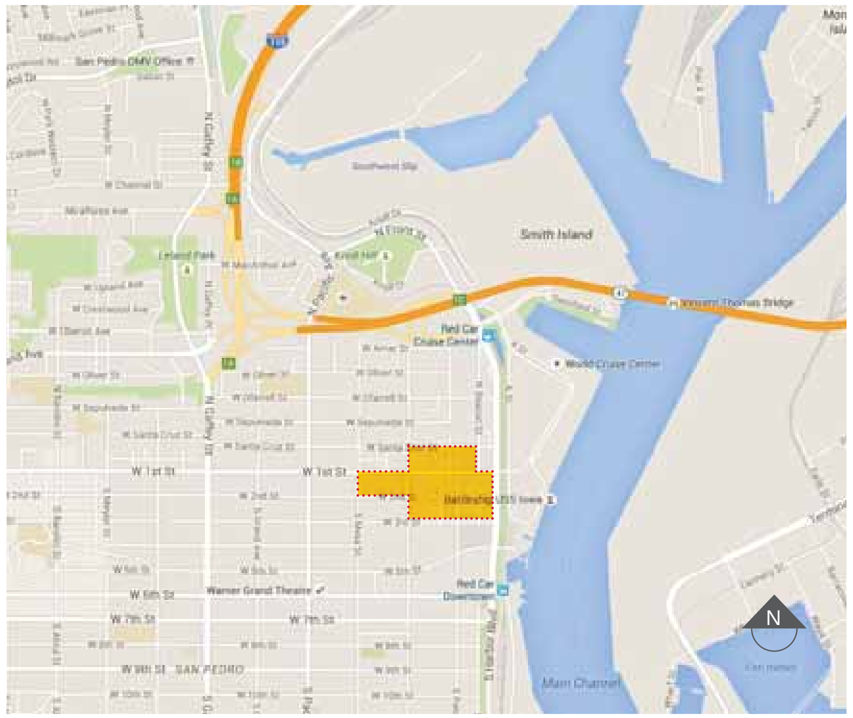
TASK 2: EXISTING CONDITIONS ANALYSIS

HACLA EPS CSG | advisors QDG architecture

SITE LOCATION AND HISTORY

SITE LOCATION

Rancho San Pedro/Rancho San Pedro Extension is a public housing complex located at 275 West First Street, situated within the community of San Pedro, south of the Harbor Freeway.



The Rancho San Pedro/Rancho San Pedro Extension area is bounded by Santa Cruz Street on the north, Harbor Boulevard on the east, Third Street on the south, and Mesa Street on the west. The site is approximately one-half mile south of the southern terminus of the Harbor (110) Freeway. The property is on the west side of Harbor Boulevard.

SITE HISTORY

Rancho San Pedro (RSP) was one of the first ten public housing projects in Los Angeles, design by a collaboration of architects including Reginal D. Johnson, A.C. Zimmerman, H. Roy Kelley, and James R. Friend. The project originally served as housing for industry workers by the Defense Department, and was later converted to public housing after World War II. Of the first ten, it is one of only eight that still remains in Los Angeles, and is currently operated by the Housing Authority of the City of Los Angeles (HACLA).

The original site was constructed in 1942, which included 284 units built on 12.5 acres. The Rancho San Pedro Extension was built in 1952 with addtional 191 units on 8.7 acres.

Rancho San Pedro constructed in 1942

Rancho San Pedro Extension constructed in 1954

SITE CONTEXT

Rancho San Pedro is located in an area characterized by significant development activity in recent years. The site has many positive location attributes including its close proximity to the Los Angeles waterfront and the Historic San Pedro Downtown, as well as Long Beach Harbors, Terminal Island, and the Long Beach Naval Shipyard.

The USS Iowa, a popular SoCal attraction that serves as a museum and memorial to battleships is berthed on the waterfront at the Port of Los Angeles, located directly to the east of the site.

The Ports O' Call Village Marketplace with a mix of shops and restaurants located along the waterfront is 1 mile from the site.


UNION MISSIONARY CHURCH 2


CARMEL VUE APARTMENTS 5


SAN PEDRO MUNICIPAL BLDG 8

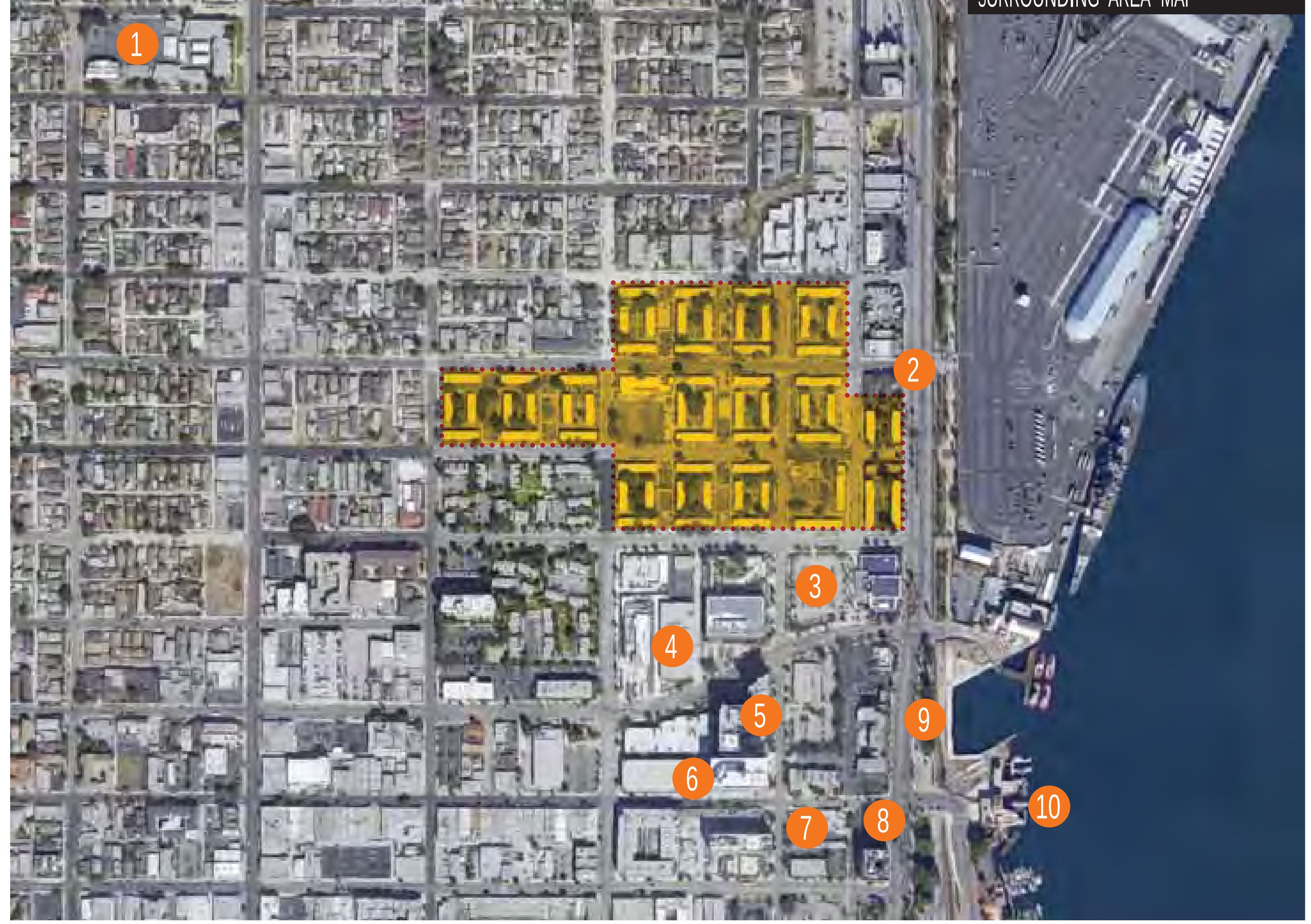
SURROUNDING AREA MAP LEGEND

1. *Barton Hill Elementary School*
2. *Union Missionary Baptist Church*
3. *Harbor Village Shopping Center*
4. *Port of Los Angeles High School*
5. *Carmel Vue Apartments*
6. *Marymount California University*
7. *LA County Mental Health*
8. *San Pedro Municipal Building*
9. *Gibson Park*
10. *Los Angeles Maritime Museum*

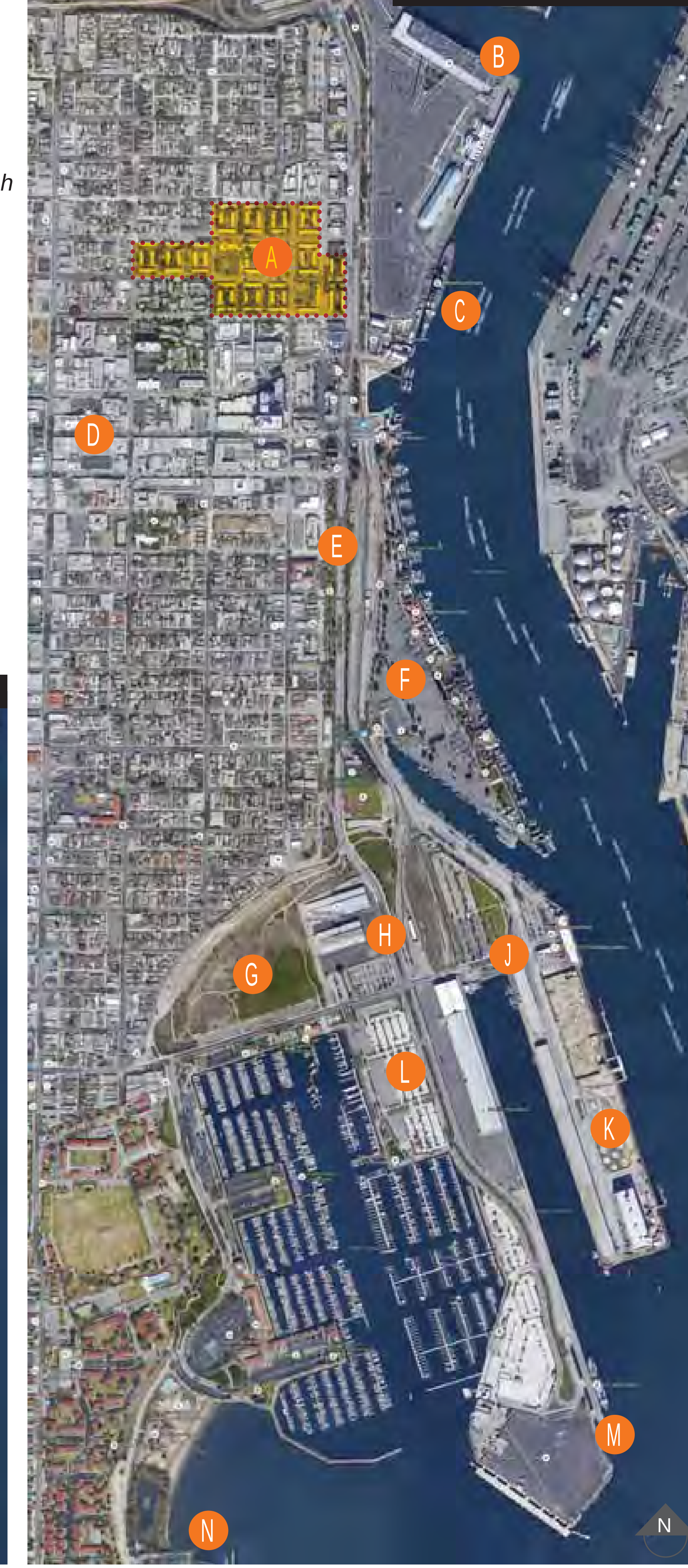
VICINITY MAP LEGEND

A. *Rancho San Pedro*
B. *World Cruise Center*
C. *Battleship USS Iowa*
D. *Historic Downtown San Pedro*
E. *San Pedro Plaza Park*
F. *Ports O'Call*
G. *22nd Street Park*
H. *Crafted*
J. *AltaSea Ocean Research Center - Phase I*
K. *AltaSea Phase II*
L. *Cabrillo Marina II*
M. *S.S. Lane Victory*
N. *Cabrillo Beach*

SURROUNDING AREA MAP



VICINITY MAP



SITE VIEWS AND TOPOGRAPHY

Rancho San Pedro is built on a gradual slope leading down towards the east to the harbor. East-bound streets crossing the site have views of the harbor, as well as pedestrian connections on 1st Street.


VIEW EAST ON SANTA CRUZ STREET

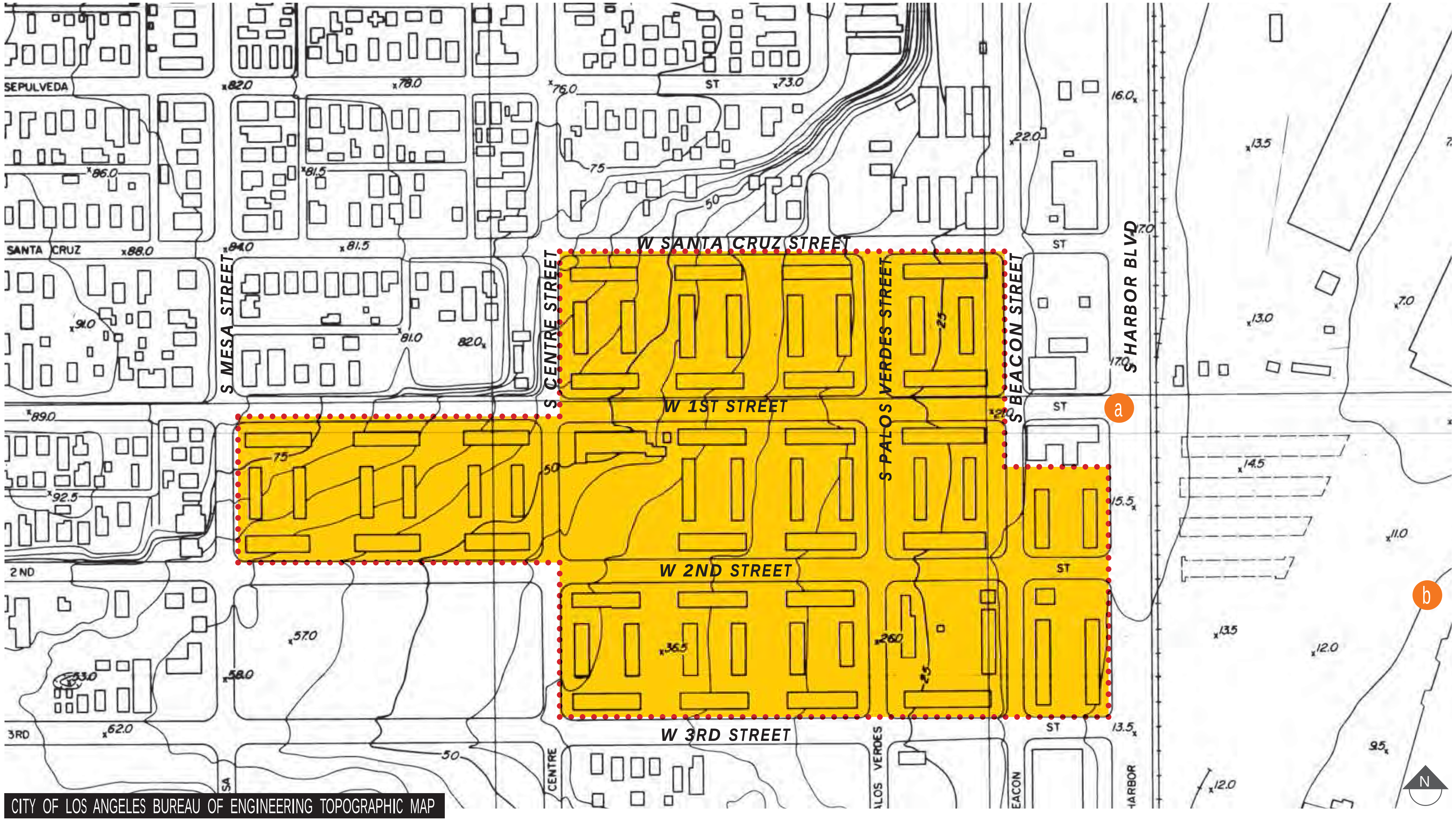

VIEW EAST ON 1ST STREET


VIEW EAST ON 2ND STREET


VIEW EAST ON 3RD STREET

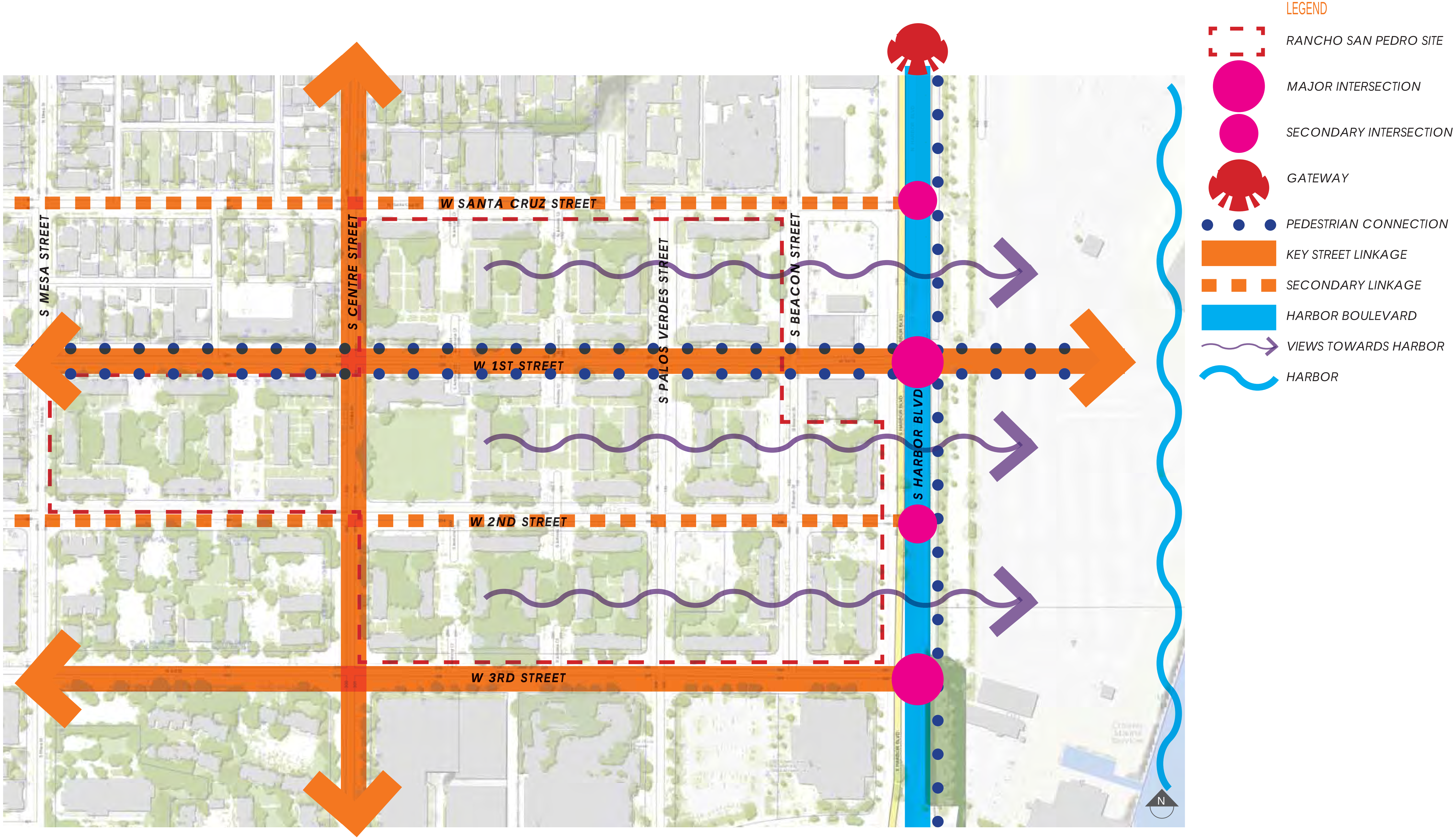

HARBOR BLVD AND 1ST STREET a


BATTLESHIP USS IOWA AT SAN PEDRO b



CITY OF LOS ANGELES BUREAU OF ENGINEERING TOPOGRAPHIC MAP

SITE CONNECTIONS DIAGRAM



SITE CHARACTERISTICS

The Rancho San Pedro complex encompasses 21.2 acres of land with a total of 478 dwelling units. The unit mix is comprised of 101 one-bedrooms, 258 two-bedrooms, 78 three bedrooms, 30 four-bedrooms, and 11 five-bedroom. All units contain only one bathroom each.

There are 58 two-story apartment buildings, composed predominantly of townhouse unit types with a few stacked flats or 1-story structure usually at the ends of several buildings. Between buildings, large open spaces behind the units are usually occupied with hanger lines and walkways, while the courtyards in front of the units have play ground areas with walkways to access the units flanking each side.

Limited off-street permited parking is available on a first come/first served basis with a total of 255 parking spaces within 15 surface parking lots across the site.

The Management and Maintenance building located on the corner of Centre and 1st Streets is a story structure that houses administration offices, community room, kitchenette, restrooms and maintenance areas.

Directly south, a newly renovated play field occupies the rest of the block, extending down to Second Street. Along the perimeter of the fenced grass space, covered picnic tables and BBQ area are provided.

On Palos Verdes and Second Streets, there is a community garden utilized by residents of Rancho San Pedro.


MANAGEMENT BUILDING A


COMMUNITY GARDEN B

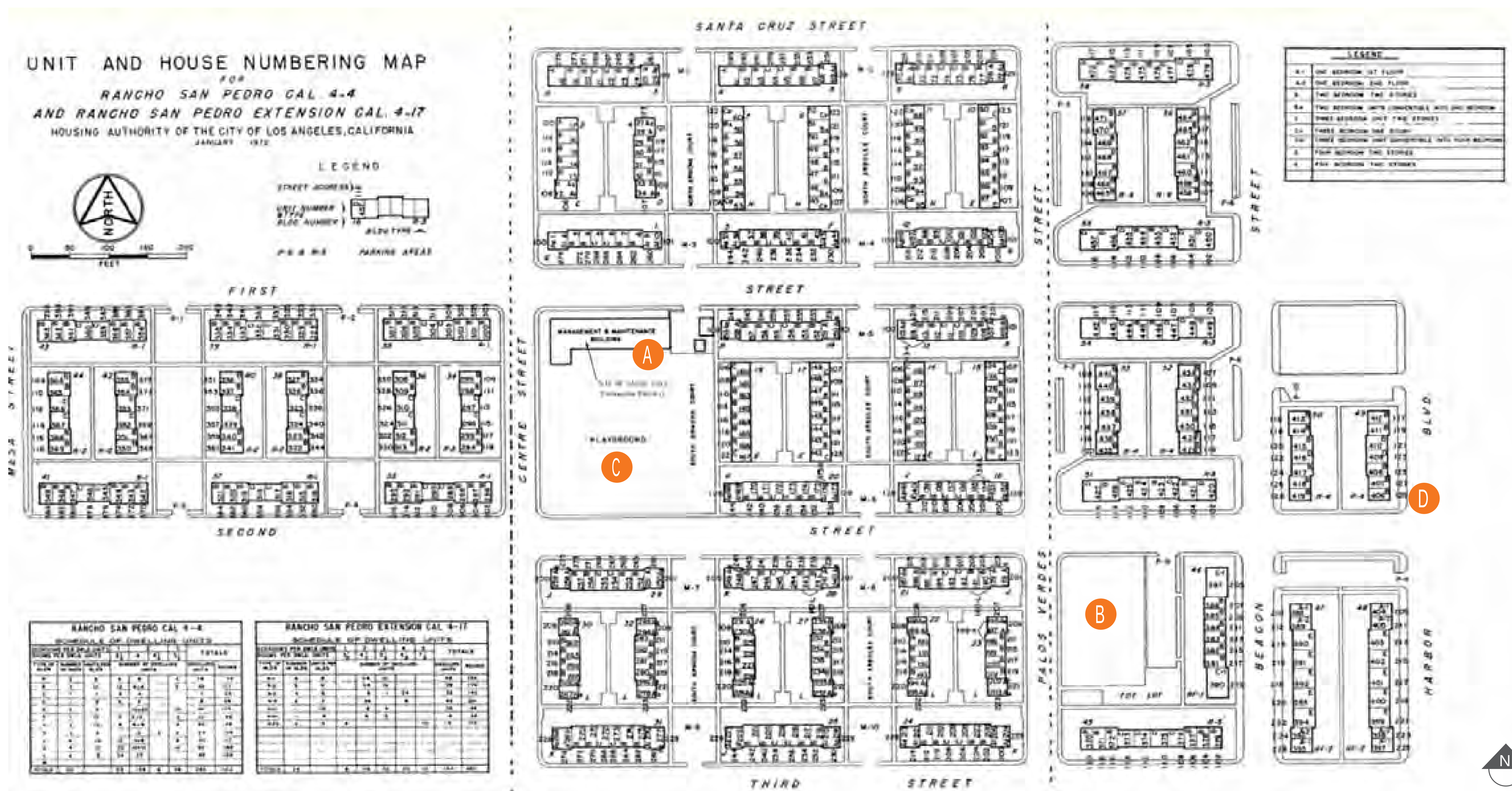

PLAY FIELD C


TOWNHOMES ON HARBOR BLVD D

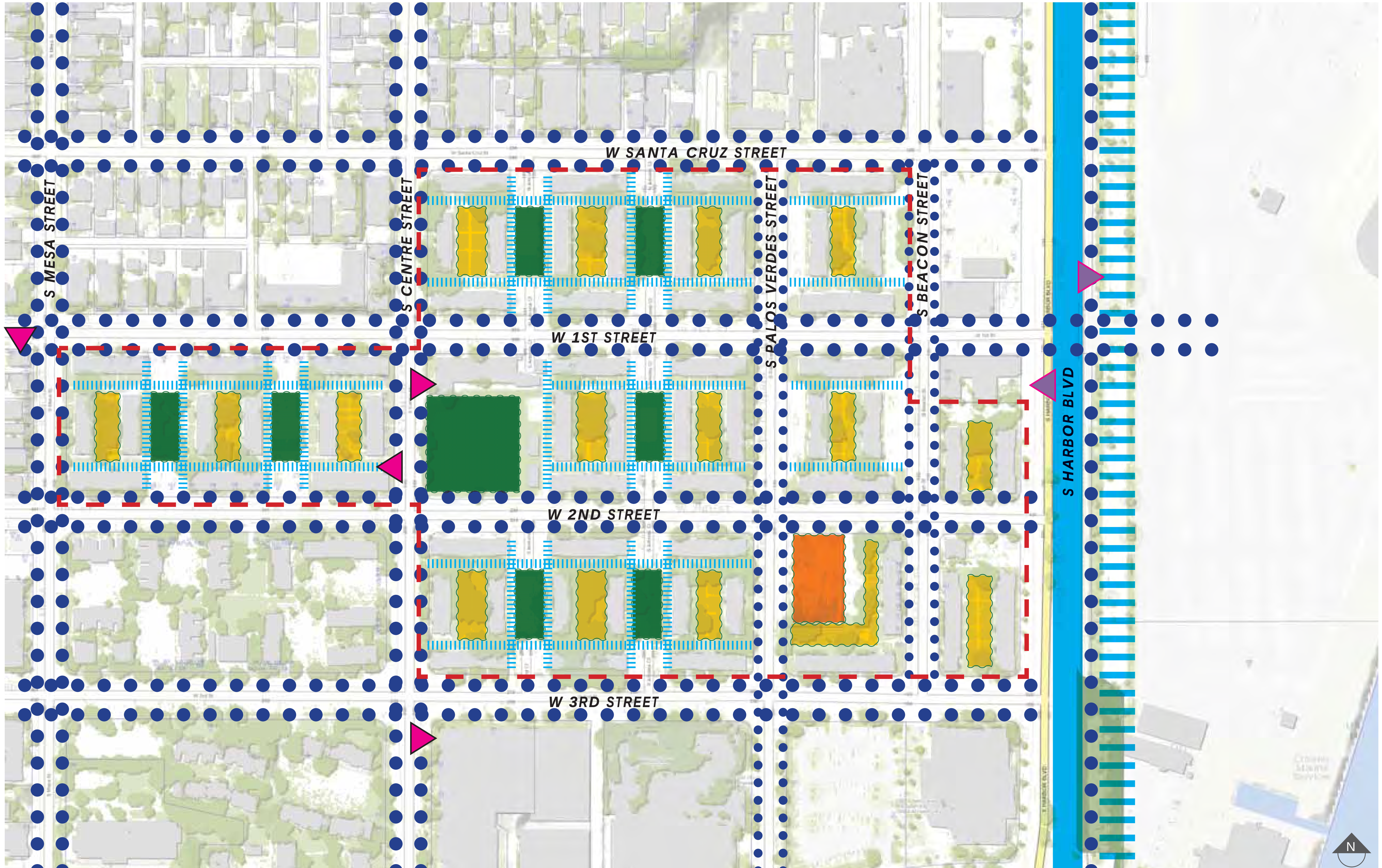

TYPICAL APARTMENT BUILDING


TYPICAL PARKING & PLAYGROUND


TYPICAL COURTYARD



OPEN SPACE AND PEDESTRIAN CIRCULATION



LEGEND

RANCHO SAN PEDRO SITE

MAJOR PEDESTRIAN PATHWAY

INTERIOR PEDESTRIAN PATH

HARBOR BOULEVARD

HARBOR BLVD PROMENADE

OPEN/GREEN SPACE:

PLAYFIELD/ PLAYGROUND

COMMUNITY GARDEN

BACK PATIO

TRANSIT:

METRO BUS STOP

DASH SAN PEDRO BUS STOP

CURRENT REGULATIONS

PROPERTY INFORMATION

Site Area: *21.2 Acres*
Unit Count: *478 Dwelling Units*
Density: *22.5 DUA*

CURRENT REGULATIONS (WITHOUT DENSITY BONUS)

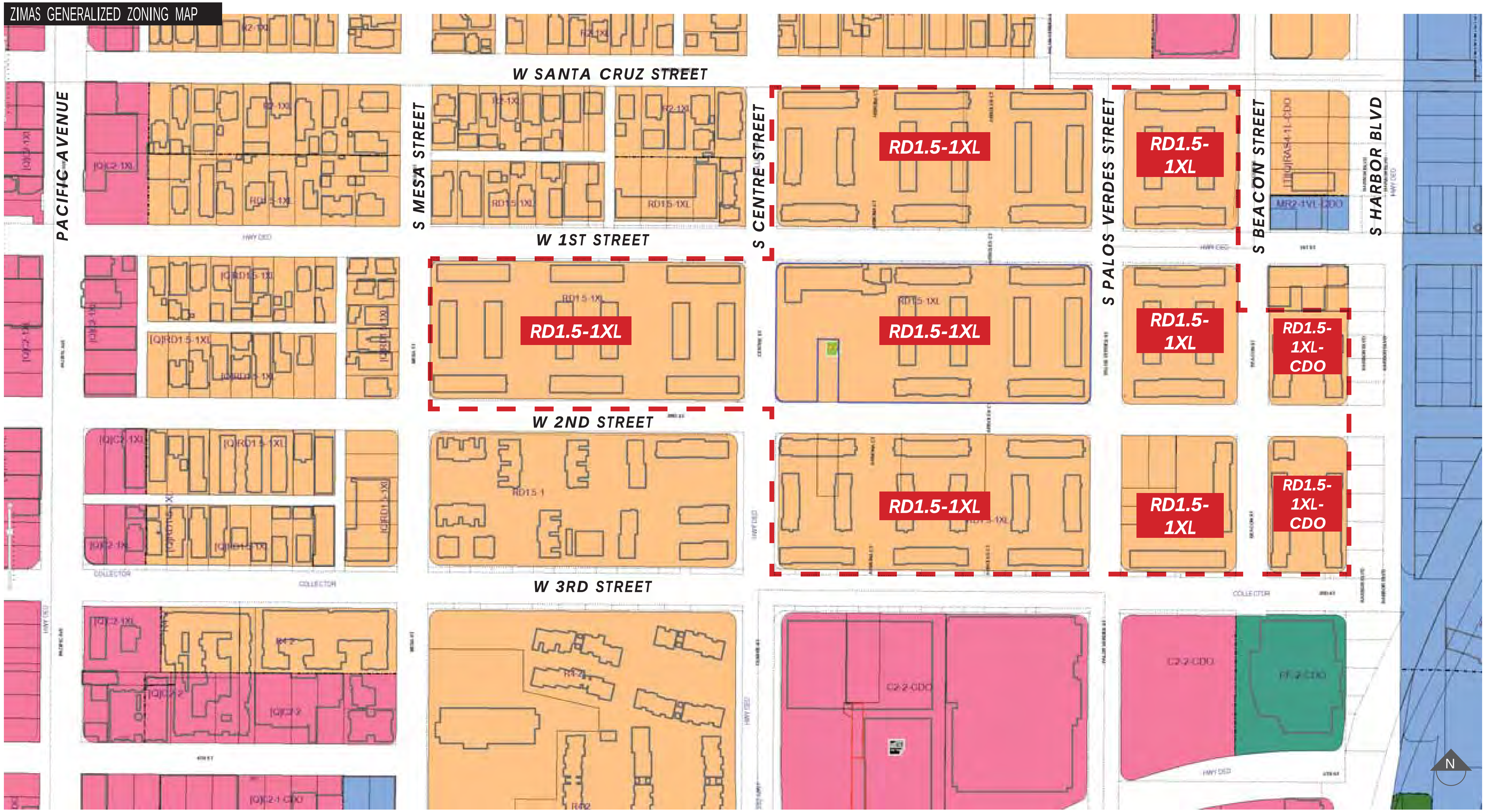
WEST OF BEACON

Zoning: *RD1.5-1XL*
Land Use: *Low Medium II Residentiol*
Height Limit: *30 feet*
FAR/Minimum Area per DU: *1500 SF per DU*
General Plan Footnote: *Footnote 7 - A change to Height District 1 (3 stories or 45 feet) shall be permitted where it can be shown to be in keeping with surrounding neighborhood character and scale and will not block views from surrounding residential uses, public streets, or facilities or designated scenic view sites.*
Historic Resources: *Designated Historic Resource Requires Historic Preservation Review*
Other Regulations/Policy: *None*

EAST OF BEACON

Zoning: *RD1.5-1XL-CDO*
Land Use: *Low Medium II Residentiol*
Height Limit: *30 feet*
FAR/Minimum Area per DU: *1500 SF per DU*
General Plan Footnote: *Footnote 7 - A change to Height District 1 (3 stories or 45 feet) shall be permitted where it can be shown to be in keeping with surrounding neighborhood character and scale and will not block views from surrounding residential uses, public streets, or facilities or designated scenic view sites.*
Historic Resources: *None*
Other Regulations/Policy: *Downtown San Pedro Community Design Overlay*

ZIMAS GENERALIZED ZONING MAP

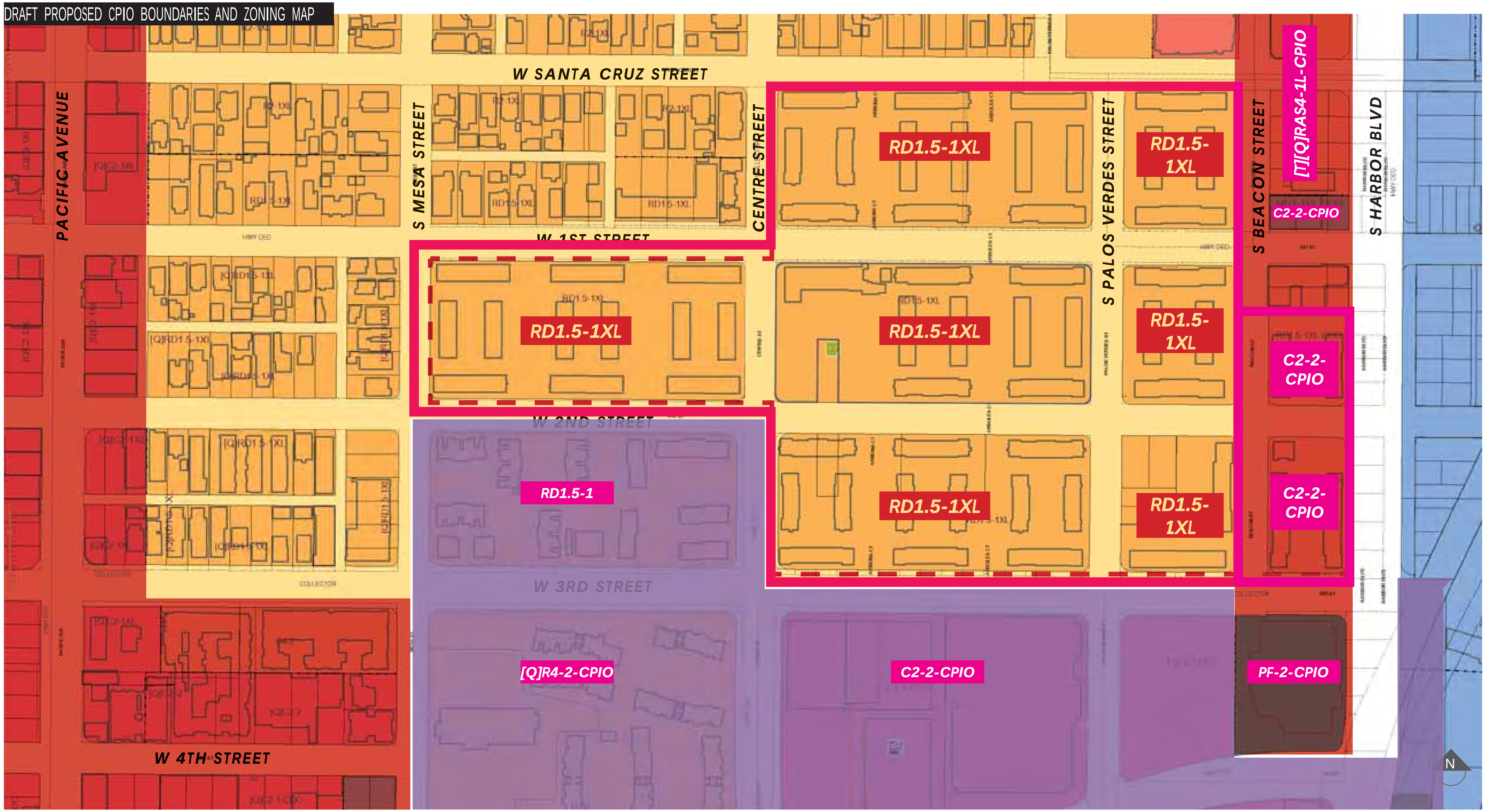


PROPOSED REGULATIONS

COMMUNITY PLAN LEGEND

- MULTI-FAMILY DISTRICT (Height Limit: 30 feet)
- COMMUNITY COMMERICAL (Height Limit: 75 feet, C2 3.0:1 FAR)
- REGIONAL CENTER (Height Limit: 250 feet, C2 6.0:1 FAR, R4 4.0:1 FAR)

DRAFT PROPOSED CPIO BOUNDARIES AND ZONING MAP



PROPOSED REGULATIONS WITH COMMUNITY PLAN UPDATE (WITHOUT DENSITY BONUS)

WEST OF BEACON

Zoning: *RD1.5-1XL*
Land Use: *Low Medium II Residentiol*
Height Limit: *30 feet*
FAR/Minimum Area per DU: *1500 SF per DU*
General Plan Footnote: *Footnote 7 – Height District 1XL (2 stories or 30 feet) for Low II and Low Medium I and II Residential, and Neighborhood Commercial Designations.*
Historic Resources: *Designated Historic Resource Requires Historic Preservation Review*
Community Plan Implementation Overlay (CPIO): *Multi-Family District*
Other Regulations/Policy: *See Community Plan Text Goal LU4 Rancho San Pedro*

EAST OF BEACON

Zoning: *C2-2-CPIO*
Land Use: *Community Commercial*
Height Limit: *75 feet*
FAR/Minimum Area per DU: *FAR 4.0 : 1*
General Plan Footnote: *None*
Historic Resources: *None*
Community Plan Implementation Overlay (CPIO): *Central Commercial E "Downtown District and Gateway"*
Other Regulations/Policy: *See Community Plan Text Goal LU10 Harbor Boulevard "Welcome Gateway"*

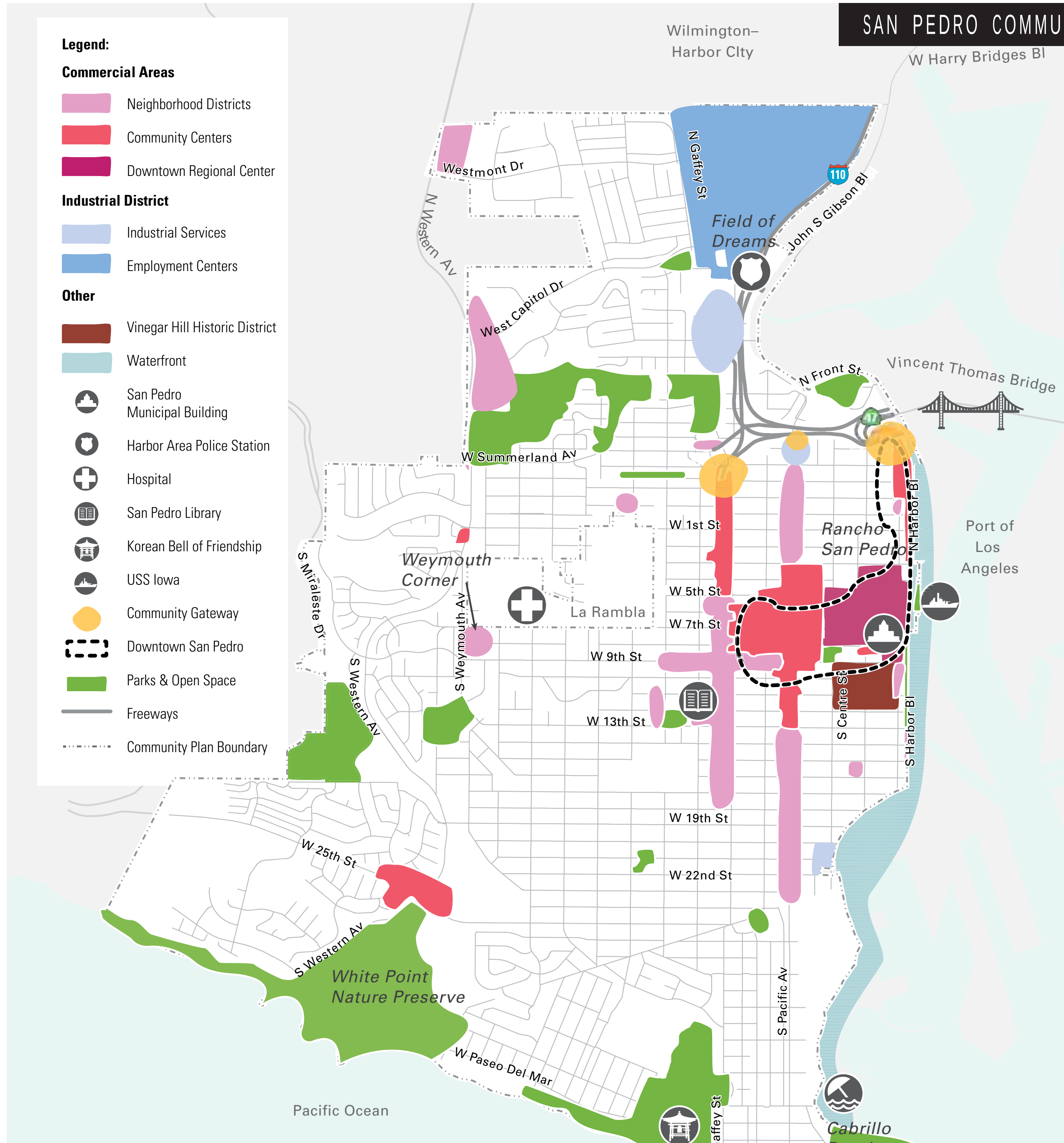


Figure 2–1

Community Structure

San Pedro Community Plan Area

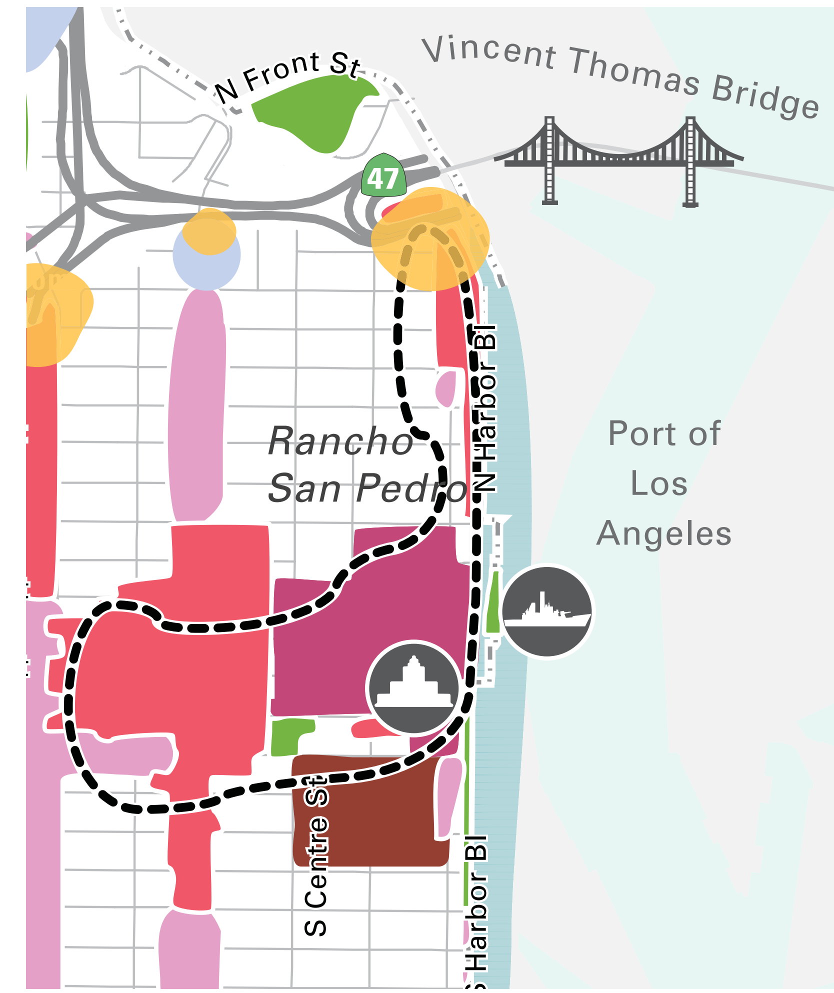
This is an informational map provided for reference purposes only. It is not adopted as part of the San Pedro Community Plan

City of Los Angeles Planning Department • August 2012

SAN PEDRO COMMUNITY PLAN

SAN PEDRO COMMUNITY PLAN

The following excerpted pages from the proposed San Pedro Community Plan 2012 are most applicable to the Rancho San Pedro Site. Policies include those specific to Rancho San Pedro, Multi-family Districts and general residential areas, as well as the Harbor Boulevard "Welcome Gateway" and Commercial/Mixed-Use Districts.



Residential Areas

The majority of San Pedro has been designated for residential purposes, with single-family the predominant land use. Single-family neighborhoods are located in the southern and western portion of the Community (refer to Figure 3-3). About 45 percent of the dwelling units were built prior to 1960. The predominant zoning height limit for single- and multiple-family residential areas is 30 feet (refer to Figure 3-2).

Goal LU1: **Complete, livable and quality residential neighborhoods throughout San Pedro that provide a variety of housing types, densities, forms and designs and a mix of uses and services that support the needs of residents.**

Policies

LU1.2 **Adequate housing and services.** Provide housing that accommodates households of all sizes, as well as integrates safe and convenient access to schools, parks, and other amenities and services.

LU1.3 **Neighborhood transitions.** Assure smooth transitions in scale, form, and character, by regulating the setback, stepbacks, rear elevations, and backyard landscaping of new development where neighborhoods of differing housing type and density abut one another.

LU1.7 **Build Green.** Developments should be sustainable and attractive, and incorporate green building design, systems and materials to the greatest extent feasible.

LU1.8 **Front yard character.** Discourage parking between the street and the front of the structure on surfaces that are not part of required driveways.

Multi-Family Residential

Neighborhoods designated for multi-family use are predominantly located in the central and eastern portions of San Pedro and contain duplexes, bungalow apartments, 3 to 4 story apartment buildings, and condominium complexes, as well as single-family homes. These neighborhoods are also among the oldest in the community, with many developments dating back 60 to 100 years.

One significant exception exists in the relatively modern residential area located in northwest San Pedro between the Western Avenue commercial corridor and the single-family residential neighborhood centered along Taper Avenue. Developments in this area, built mostly after 1960, are typically condominiums or townhomes, with a combination of rental and ownership units.

Goal LU3: **Multi-family residential neighborhoods with a mix of ownership and rental units that are well-designed, safe, provide amenities for residents, and exhibit the architectural characteristics and qualities that distinguish San Pedro.**

Policies

LU3.1 **Neighborhood stability.** Stabilize and improve existing multi-family residential neighborhoods, allowing for growth in areas where there are sufficient public infrastructure and services and where quality of life can be maintained or improved.

LU3.2 **Key locations.** Incorporate multi-family housing in areas targeted for mixed use and in the Regional Center.

LU3.3 **Equitable housing distribution.** Provide an equitable distribution of housing types for all income groups throughout San Pedro's multi-family neighborhoods and promote mixed-income developments rather than creating concentrations of below-market-rate housing.

LU3.4 **Affordable housing and displacement.** Encourage the replacement of demolished quality affordable housing stock with new affordable housing opportunities while minimizing the displacement of residents, through programs that support development while meeting the relocation needs of existing residents.

LU3.5 **Compatibility.** Ensure that the new development of multi-family, duplex, small lot subdivisions or lower density units located in or adjacent to single-family neighborhoods maintains the visual and physical character of single-family housing and be designed to respect and complement the architectural and building patterns of surrounding existing residential development.

LU3.6 **Amenities.** Include amenities for residents such as on site recreational facilities, community meeting spaces, and useable private and/or public open space in new multi-family development.

LU3.7 **Senior housing.** Develop senior housing in neighborhoods that are accessible to public transit, commercial services, recreational and health and community facilities, especially within or adjacent to designated Community Centers.

LU3.8 **Special needs housing.** Maintain and improve developments that serve homeless, transitional needs and special needs populations. Support the retention of residential hotels and Single-Room Occupancy (SROs) to provide housing for extremely low and very-low income residents.

LU3.9 **Small lot development.** Small lot subdivisions are required to follow the Department of City Planning's "Small Lot Guidelines." In addition, projects in San Pedro must comply with the following:

- Monotonous appearance of garage doors facing street frontage is not permitted.
- Hillside small lots must provide view corridors through the subdivision.
- Emphasize sustainable site practices such as permeable common driveways.
- Adaptive reuse of signature San Pedro bungalow or courtyard housing into Small Lot subdivisions is desirable and encouraged. The Advisory Agency may support such subdivisions without requiring additional parking provided the project is consistent with the parking permitted at the time the bungalow/courtyard housing was initially constructed.

SAN PEDRO COMMUNITY PLAN - RESIDENTIAL

Opportunity Areas

Residential and residential/commercial mixed areas that have the potential to accommodate growth or that are in transition, or under consideration for future improvements/change are identified in this section. Refer to Figure 3-3, Residential Areas.

Rancho San Pedro Housing Project

The Rancho San Pedro Housing Authority facilities, originally built in 1942 as workforce housing by the Defense Department with 284 units on 12.5 acres, and the Rancho San Pedro Extension, built in 1952 with 191 units on 8.7 acres, are directly north of the Downtown San Pedro Regional Center.

Goal LU4: **Revitalization of transitioning, distressed, and/or underutilized residential developments.**

Policies

LU4.1 **Improve Rancho San Pedro.** When redevelopment of the Rancho San Pedro site is planned, including rehabilitation and modernization to conform with all applicable health and safety codes, such development should be:

- designed to provide a mix of housing types for a range of incomes;
- planned with an appropriate mix of rental and for-sale units;
- compatible with Low Medium to Medium plan density designations on average
- open and integrated into the community (not gated);
- coordinated with LAUSD to provide needed school facilities;
- coordinated with LAPD guidelines to include design features that reduce the incidence of criminal activity; and
- developed with accessible public open and recreational space.

LU4.2 **Public private partnerships.** Support and encourage public/private partnerships and other efforts to revitalize Rancho San Pedro, including those available to the City of Los Angeles Housing Authority.

Community Centers

Community Centers typically provide multiple types of services and businesses catering to the needs of residents, employees, visitors and businesses within the Community Plan Area. Structures in these community-serving areas are low to medium in scale, mostly 3-4 stories. Few structures exceed six stories. Community Centers in San Pedro include the following:

- Gaffey Street from Harbor (110) Freeway to 5th Street
- Downtown San Pedro and Harbor Boulevard "Welcome Gateway"
- Pacific Avenue
- Western Avenue and 25th Street

Downtown San Pedro and Harbor Boulevard "Welcome Gateway"

The Downtown Community Center is found directly west of the Regional Center between Fourth Street, Mesa Street, Eighth Street, and Gaffey Street (refer to Figure 3-4). This area contains low-rise office buildings and a variety of retail uses, such as boutiques and locally-owned services and restaurants. Sixth Street has a "Main Street" feel and features the historic Warner Grand Theater and the more than century-old William's Bookstore. In addition, 5th and 7th Streets are also walkable and form the Downtown core. The commercial area along Pacific Avenue consists of retail and commercial services, community facilities, a school, offices, coastal/recreational uses such as sporting goods, marine supply and repair, and other similar uses that serve the community. New automobile sales, repair, and service uses are restricted in the Downtown and on certain sections of Pacific Avenue. The "Welcome Gateway" area is located along Harbor Boulevard directly north of the regional center north of 4th Street.

Regional Center

A Regional Commercial Center contains the community's concentration of business, civic and cultural activities, creating conditions that facilitate community interaction and engagement and serve as the focal point of social and economic life in the community. The Regional Center in Downtown San Pedro is located between Third Street, Harbor Boulevard, Eighth Street and Mesa Street. It features institutional uses such as the San Pedro Municipal Building, the Superior Court, the Harbor Department Headquarters, the Port Police Headquarters and Port of Los Angeles High School, as well as a major hotel, office uses, restaurants, theaters and several newer residential and mixed use buildings. While a mix of low to medium scale structures are located here – the area is envisioned to accommodate medium to high rise structures.

Goal LU11: **A distinct, mixed-use, transit and pedestrian-oriented Regional Center that serves as a civic, cultural and entertainment destination for the city, and provides a vibrant mix of retail, employment, entertainment, and residential uses that are a complement to, and extension of waterfront attractions.**

Harbor Boulevard "Welcome Gateway"

Harbor Boulevard north of 4th Street provides a physical gateway to Downtown San Pedro as the major thoroughfare from other parts of the region. The boulevard is the most direct route from the freeway to ferry and cruise ship terminals, the waterfront, the Downtown and Cabrillo Marina facilities. As such, it serves as a key welcome portal to San Pedro for many tourists and regional visitors. Harbor Boulevard currently exhibits a mix of uses ranging from industrial to residential, and new infill development has the opportunity to achieve cohesive urban design and identity. The Harbor Boulevard surface parking lot (currently owned by CalTrans) presents an opportunity to redevelop the site with a signature building and use. The area is planned to attract new development that features quality architecture and provides a unique "signature" welcoming entry way into San Pedro and the Port of Los Angeles.

Goal LU10: **An enhanced entry at key gateways to the city through public improvements and private development projects that reflect the vision of San Pedro.**

Policies

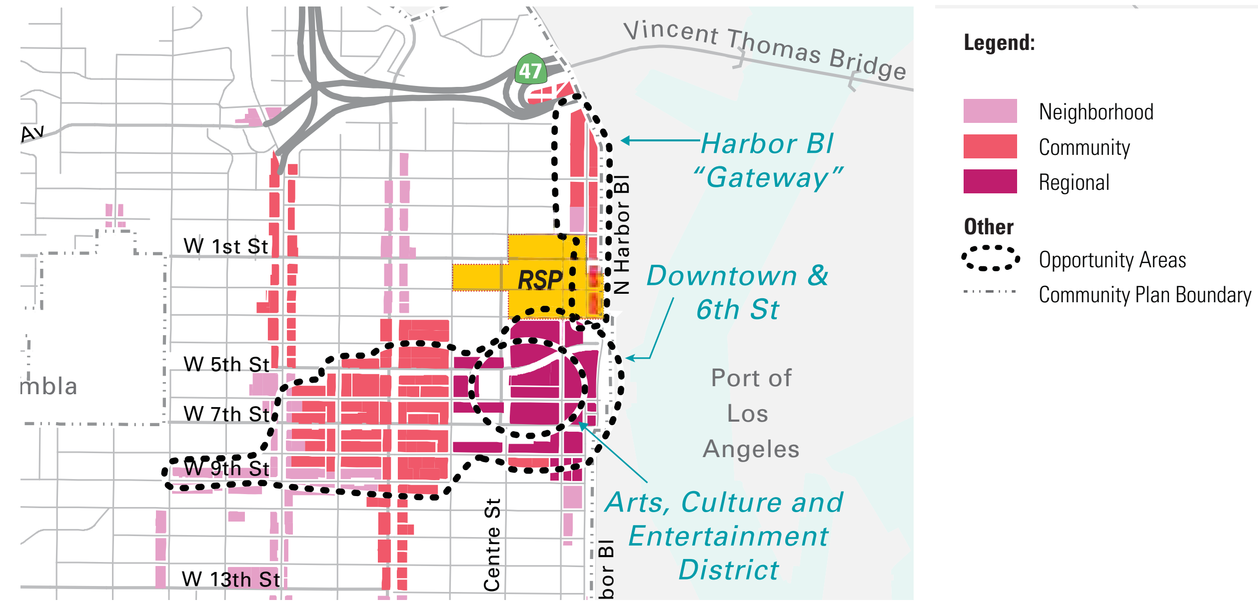
LU10.1 **Downtown and Waterfront connections.** Continue to coordinate with the Port of Los Angeles and Public Works to implement design improvements that provide physical design connections between the Waterfront and downtown San Pedro. These should include but not be limited to street trees, landscaping, lighting, paving, wayfinding signage and gateway signage.

LU10.2 **Harbor Boulevard "Welcome Gateway".** New development within the vicinity of Front/O'Farrell Streets should exhibit high- quality architecture, integrate public parking, and public plazas if feasible, and also mark the entrance to Downtown San Pedro in a significant manner. The development should have prominent pedestrian-oriented design at the ground floor and if a mid- to high-rise structure, be developed as a slim tower to both mark the entrance to San Pedro and retain public views of the waterfront consistent with the Downtown San Pedro CDO guidelines.

LU10.4 **Attractive design.** New development along Harbor Boulevard should be high quality, with well designed signature architecture that invites and welcomes people to San Pedro. This development should complement and benefit from the POLA promenade improvements such as the Welcome Water Fountain. Developments should have: prominent pedestrian- oriented design at the ground floor with a mix of uses; individual entrances for limited ground floor residential; abundant landscaping; and structures that are designed to retain public views to the waterfront per the Downtown San Pedro CDO guidelines.

LU10.5 **Expand visitor-serving opportunities.** Encourage a variety of shopping, dining, entertainment, lodging and visitor-oriented activities to increase tourism and enhance economic activity in San Pedro.

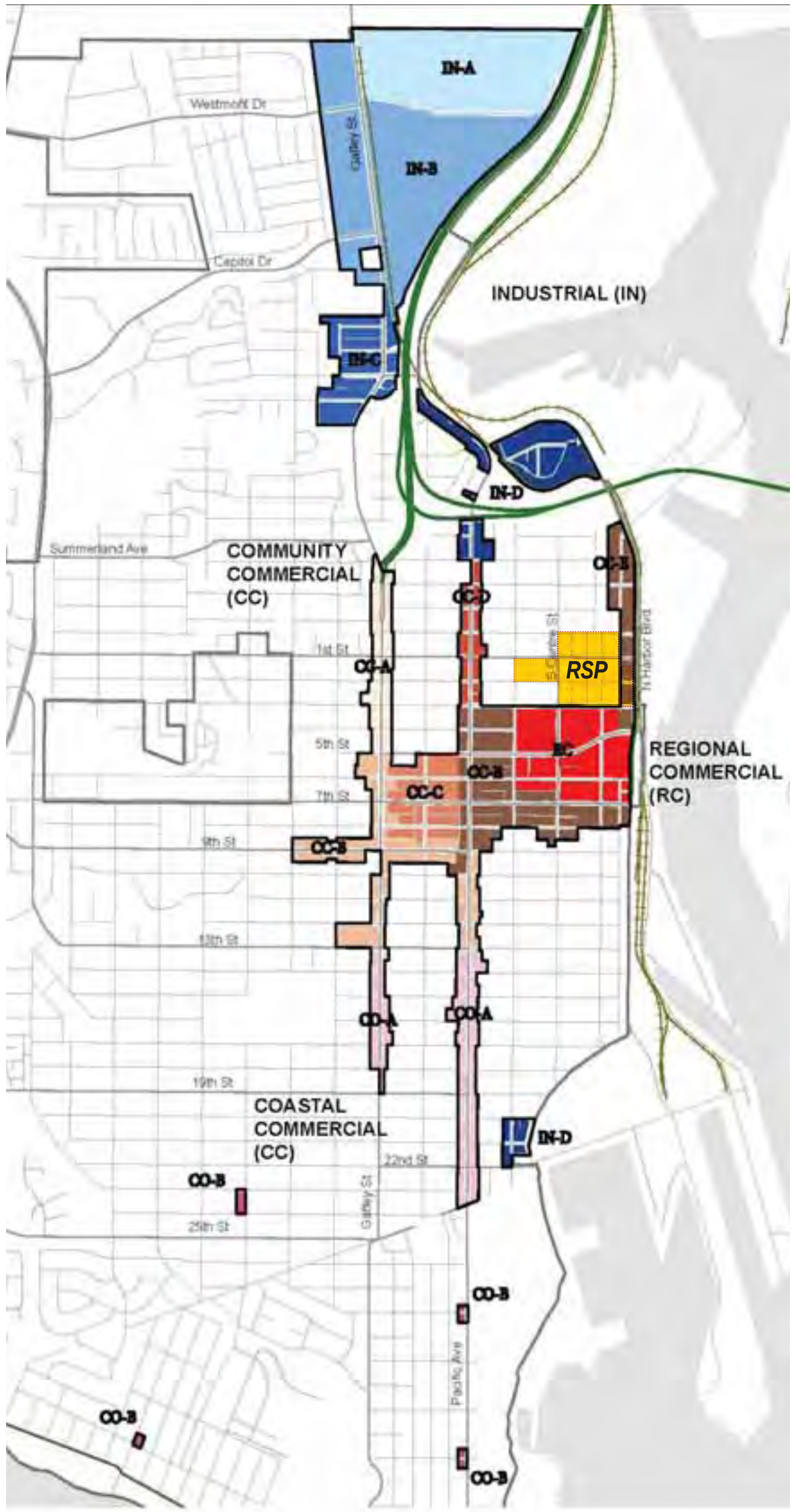
SAN PEDRO COMMUNITY PLAN - COMMERCIAL



Program Number	Land Use and Urban Design Program Description	Policy/ Section Reference	Responsible or Coordinating Agency
P31	**Rancho San Pedro Housing Project.** As funding becomes available, modernize and improve the physical conditions and quality of life in the Rancho San Pedro Housing Authority facilities, including the addition of more usable open space.	LU4.1, LU4.2	HA, LAHD,CDD, DCP
P37	**Downtown and Waterfront Connections; Harbor Boulevard "Welcome Gateway and Attractive design.** Coordinate with the Port on the design and development of the Town Plaza and Harbor development planned for the waterfront directly east of Downtown. As funding becomes available, develop parkways, landscaped medians, sidewalks with landscape buffers, community gateways, and other elements that maintain and enhance these defining neighborhood features.	LU10.1, LU10.2, LU10.3, LU10.4, LU13.1	POLA, DCP LADOT

SAN PEDRO COMMUNITY PLAN IMPLEMENTATION OVERLAY

Figure I-1
CPIO Boundaries



San Pedro CPIO

Figure III-1
Central Commercial District Boundaries

San Pedro CPIO

Table III-1 Central Commercial District Use Regulations

	Use	Regulation	Applicable Location	Exemptions/ Clarifications
1	Automotive Uses, Automotive Parts Sales, Automotive Service Stations	Prohibited	Subareas B, C, D, and E	
2	Automotive Storage	Prohibited	Subareas B, C, D, and E	
3	Drive-thru Establishments	Prohibited	Subareas B, C, D, and E	
4	Commercial Uses	Required	Subareas A and B	Required on the ground floor, at a minimum depth of 25 feet or the entire depth of the building (whichever is less), for a minimum of 75% of the length of any new building façade that fronts a public street.
5	Residential	Restricted	Subareas D and E	Stand-alone Residential uses are prohibited, Residential uses are only permitted when developed in conjunction with non-residential uses.

CHAPTER III - CENTRAL COMMERCIAL DISTRICT

SECTION III-1. LAND USE

A. Any new use of land, and any change of use, shall be subject to the use limitations set forth in Table III-1 below.

B. Maintenance and expansion of an existing use, made legally nonconforming by this CPIO, shall be addressed in concurrence with LAMC Section 12.23.

SECTION III-2. DEVELOPMENT STANDARDS

A. Height & Floor Area

In addition to the height and floor area regulations of the underlying Zone and Height District, the restrictions set forth below shall apply:

iv. Subareas E

Maximum 75 feet; FAR Maximum 4.0:1
For buildings exceeding 35 feet in height: where the rear or side yard property line is contiguous with that of a residentially zoned lot, the structure shall be set back or stepped back one foot for every foot in height as measured 15 feet above grade at the shared property line or property line abutting an alley. Projects on a slope shall be calculated at the lowest grade. Projects within Subarea C are limited to 3.0:1 FAR, and projects within Subarea E are limited to 4.0:1 FAR.

A Project may exceed 75 feet if approved by the City Planning Commission pursuant to LAMC 12.24 U.

GENERALIZED SUMMARY OF ZONING REGULATIONS
CITY OF LOS ANGELES

Zone	Use	Maximum Height: Stories	Maximum Height: Feet	Required yards: Front	Required yards: Side	Required yards: Rear	Minimum Area: Per Lot	Minimum Area: Per Dwelling Unit	Min. Lot Width	Parking Req'd.
Agricultural										
A1	**Agricultural** One-Family Dwellings, Parks, Playgrounds, Community Centers, Golf Courses, Truck Gardening, Extensive Agricultural Uses, Home Occupations	Unlimited (8)	45 or(6),(8)	20% lot depth; 25 ft. max. or (6)	10% lot width; 25 ft. max. or (6)	25% lot depth; 25 ft.max.	5 acres	2.5 acres	300 ft.	2 spaces per dwelling unit (6)
A2	**Agricultural** A1 uses						2 acres	1 acre	150 ft.	
RA	**Suburban** Limited Agricultural Uses, One-Family Dwellings, Home Occupations,		45 or (6),(7),(8)	20% lot depth; 25 ft. max., but not less than prevailing (6)	10 ft. or 10% lot width < 70 ft. + 1 ft. for 3 stories or more (6),(7)		17,500 sq. ft. (1)	17,500 sq. ft. (1)	70 ft. (1)	2 covered spaces per dwelling unit (6)
Residential Estate										
RE40	**Residential Estate** One-Family Dwellings, Parks, Playgrounds, Community Centers, Truck Gardening, Accessory Living Quarters, Home Occupations	Unlimited (8)	45 or(6),(8)	20% lot depth; 25 ft. max., but not less than prevailing (6)	10 ft. min., + 1 ft. each story over 2nd (6)	25% lot depth; 25 ft. max.	40,000 sq. ft. (1)	40,000 sq. ft. (1)	80 ft. (1)	2 covered spaces per dwelling unit (6)
RE20			45 or(6),(7),(8)		10 ft. min., + 1 ft. each story over 2nd (6),(7)		20,000 sq. ft. (1)	20,000 sq. ft. (1)	80 ft. (1)	
RE15					10% lot width; 10 ft. max; 5 ft. min. + 1 ft. each story over 2nd (6),(7)		15,000 sq. ft. (1)	15,000 sq. ft. (1)	80 ft. (1)	
RE11					10% lot width < 50 ft.; 5 ft.; 3 ft. min. + 1 ft. each story over 2nd (6),(7)		11,000 sq. ft. (1)	11,000 sq. ft. (1)	70 ft. (1)	
RE9							9,000 sq. ft. (1)	9,000 sq. ft. (1)	65 ft. (1)	
RS	**Suburban** One-Family Dwellings, Parks, Playgrounds, Community Centers, Truck Gardening, Home Occupations					20 ft. min.	7,500 sq. ft.	7,500 sq. ft.	60 ft.	
One-Family Residential										
R1	**One-Family Dwelling** RS Uses, Home Occupations	Unlimited (8)	45 or(6),(7),(8)	20% lot depth; 20 ft. max., but not less than prevailing (6)	10% lot width < 50 ft.; 5 ft.; 3 ft. min. + 1 ft. each story over 2nd (6),(7)	15 ft. min.	5,000 sq. ft.	5,000 sq. ft.	50 ft.	2 covered spaces per dwelling unit (6)
RU			30	10 ft.	3 ft. (9)	10 ft.	3,500 sq. ft.	n/a	35 ft.	2 covered spaces per dwelling unit
RZ2.5	**Residential Zero Side Yard** Dwellings across not more than 5 lots (2), Parks, Playgrounds, Home Occupations		45 or(8)	10 ft. min.	zero (3); 3 ft. + 1 ft. for each story over 2nd	zero (3) or 15 ft.	2,500 sq. ft.		30 ft. w/ driveway, 25 ft. w/o driveway; 20 ft.–flag, curved or cul-de-sac	
RZ3							3,000 sq. ft.			
RZ4							4,000 sq. ft.			
RW1	**One-Family Residential Waterways** One-Family Dwellings, Home Occupations (10)		30		10% lot width; 3 ft. min.	15 ft. min	2,300 sq. ft.		28 ft.	

Zone	Use	Maximum Height: Stories	Maximum Height: Feet	Required yards: Front	Required yards: Side	Required yards: Rear	Minimum Area: Per Lot	Minimum Area: Per D.U.	Min. Lot Width	Parking Req'd.
Multiple Residential										
R2	**Two Family Dwellings** R1 Uses. Home Occupations	Unlimited (8)	45 or (6),(7),(8)	20% lot depth; 20 ft. max., but not less than prevailing	10% lot width < 50 ft.; 5 ft.; 3 ft. min.; + 1 ft. for each story over 2nd	15 ft.	5,000 sq. ft.	2,500 sq. ft.	50 ft.	2 spaces, one covered
RD1.5	**Restricted Density Multiple Dwelling** One-Family Dwellings, Two-Family Dwellings, Apartment Houses, Multiple Dwellings, Home Occupations		45 or (6),(7),(8)	15 ft.	10% lot width < 50 ft.; 5 ft.; 3 ft. min.; + 1 ft. for each story over 2nd, not to exceed 16 ft. (6)	15 ft.	5,000 sq. ft.	1,500 sq. ft.		1 space per unit < 3 habitable rooms; 1.5 spaces per unit = 3 habitable rooms; 2 spaces per unit > 3 habitable rooms; uncovered (6) 1 space each guest room (first 30)
RD2								2,000 sq. ft.		
RD3					10% lot width, 10 ft. max.; 5 ft. min., (6)		6,000 sq. ft.	3,000 sq. ft.	60 ft.	
RD4							8,000 sq. ft.	4,000 sq. ft.		
RD5				20 ft.	10 ft. min. (6)	25 ft.	10,000 sq. ft.	5,000 sq. ft.	70 ft.	
RD6							12,000 sq. ft.	6,000 sq. ft.		
RMP	**Mobile Home Park** Home Occupations		45 or (8)	20% lot depth 25 ft. max.	10 ft.	25% lot depth 25 ft. max.	20,000 sq. ft.	20,000 sq. ft.	80 ft.	2 covered spaces per dwelling unit
RW2	**Two Family Residential Waterways** One-Family Dwellings, Two-Family Dwellings, Home Occupations			10 ft. min.	10% lot width < 50 ft.; 3 ft. min.; + 1 ft. for each story over 2nd	15. ft.	2,300 sq. ft.	1,150 sq. ft.	28 ft.	
R3	**Multiple Dwelling** R2 Uses, Apt. Houses, Multiple Dwellings, Child Care (20 max.)			15 ft.; 10 ft. for key lots	10% lot width < 50 ft., 3 ft. min.; 5 ft.; + 1 ft. for each story over 2nd, not to exceed 16 ft.	15 ft.	5,000 sq. ft.	800 sq. ft.; 500 sq. ft. per guest room	50 ft.	same as RD zones
RAS3	**Residential/ Accessory** R3 Uses, Limited ground floor commercial			5 ft., or average of adjoining buildings	0 ft. for ground floor commerc. 5 ft. for residential	15 ft. adjacent to RD or more restrictive zone; otherwise 5 ft.		800 sq. ft.; 200 sq. ft. per guest room		
R4	**Multiple Dwelling** R3 Uses, Churches, Schools, Child Care, Homeless Shelter	Unlimited (8)		15 ft.; 10 ft. for key lots	10% lot width < 50 ft.; 5 ft.; 3 ft. min.; + 1 ft. for each story over 2nd, not to exceed 16 ft.	15 ft. + 1 ft. for each story over 3rd; 20 ft. max.		400 sq. ft.; 200 sq. ft. per guest room		

Multiple Residential continued ⇑

RAS4	**Residential/ Accessory** R4 Uses, Limited ground floor commercial	Unlimited (8)		5 ft., or average of adjoining buildings	0 ft. for ground floor commerc. 5 ft. for residential	15 ft. adjacent to RD or more restrictive zone; otherwise 5 ft.	5,000 sq. ft.	400 sq. ft.; 200 sq. ft. per guest room	50 ft.	same as RD zones
R5	**Multiple Dwelling** R4 uses, Clubs, Lodges, Hospitals, Sanitariums, Hotels			15 ft.; 10 ft. for key lots	10% lot width < 50 ft.; 3 ft. min.; 5 ft.; + 1 ft. for each story over 2nd, not to exceed 16 ft.	15 ft. + 1 ft. for each story over 3rd; 20 ft. max.		200 sq. ft.		

Loading space is required for the RAS3, R4, RAS4, and R5 zones in accordance with Section 12.21 C 6 of the Zoning Code.

Open Space is required for 6 or more residential units in accordance with Section 12.21 G of the Zoning Code.

Passageway of 10 feet is required from the street to one entrance of each dwelling unit or guest room in every residential building, except for the RW, RU, and RZ zones, in accordance with Section 12.21 C2 of the Zoning Code.

Zone	Use	Maximum Height		Required yards			Minimum Area Per Lot/ Unit	Min. Lot Width
		Stories	Feet	Front	Side	Rear		
Commercial (see loading and parking, next page)								
CR	**Limited Commercial** Banks, Clubs, Hotels, Churches, Schools, Business and Professional Colleges, Child Care, Parking Areas, R4 Uses	6 (8)	75 ft. (8)	10 ft. min.	10% lot width < 50 ft.; 10 ft.; 5 ft. min., for corner lots, lots adj. to A or R zone, or for residential uses	15 ft. min + 1 ft. for each story over 3rd	same as R4 for resid. uses; otherwise none	50 ft. for resid. uses; otherwise none
C1	**Limited Commercial** Local Retail Stores < 100,000 sq. ft., Offices or Businesses, Hotels, Hospitals and/orClinics, Parking Areas, CR Uses Except forCurches, Schools, Museums, R3 Uses	Unlimited (8)			same as R3 for corner lots, lots adjacent to A or R zone, or residential uses	15 ft. + 1 ft. for each story over 3rd; 20 ft. max for resid. uses or abutting A or R zone	same as R3 zone for residential uses; otherwise none	
C1.5	**Limited Commercial** C1 Uses–Retail, Theaters, Hotels,Broadcasting Studios, Parking Buildings, Parks and Playgrounds, R4 Uses						same as R4 zone for residential uses; otherwise none	
C2	**Commercial** C1.5 Uses; Retail w/Limited Manuf., Service Stations and Garages, Retail Contr. Business, Churches, Schools, Auto Sales, R4 Uses			none	none for commercial uses; same as R4 zone for residential uses at lowest residential story		same as R4 for resid. uses; otherwise none	same as R4 for residential uses; otherwise none
C4	**Commercial** C2 Uses with Llimitations, R4 Uses							
C5	**Commercial** C2 Uses, Limited Floor Area for Manuf. of CM Zone Type, R4 Uses							
CM	**Commercial Manufacturing** Wholesale, Storage, Clinics, Limited Manuf., Limited C2 Uses, R3 Uses	Unlimited (8)		none	none for commercial uses; same as R4 for residential uses		same as R3 for residential uses; otherwise none	

Loading Space: Hospitals, hotels, institutions, and every building were lot abuts an alley. Minimum loading space is 400 sq. ft.; additional space for buildings > 50,000 sq. ft. of floor area. None for apartment buildings < 30 units, in accordance with Section 12.21 C 6 of the Zoning Code.

Parking. See separate parking handout.

Zone	Use	Maximum Height		Required yards			Minimum Area Per Lot/ Unit	Min. Lot Width
		Stories	Feet	Front	Side	Rear		
Manufacturing								
MR1	**Restricted Industrial** CM Uses, Limited Commercial andManufacturing, Clinics, Media Products, Limited Machine Shops, Animal Hospitals and Kennels	unlimited (8)		5 ft. for lots <100 ft. deep; 15 ft. for lots >100 ft. deep	none for industrial or commercial uses;same as R4 zone for residential uses (5)	none for industrial or commercial uses; same as R4 zone for residential uses (5)	none for industrial or commercial uses; same as R4 zone for residential uses; (5)	
M1	**Limited Industrial** MR1 Uses, LimitedIndustrial and Manufacturing Uses, no R Zone Uses, no Hospitals, Schools, Churches, any Enclosed C2 Use, Wireless Telecommuni-cations, Household Storage			none				
MR2	**Restricted Light Industrial** MR1 Uses, Additional Industrial Uses, Mortuaries, Animal Keeping			5 ft. for lots <100 ft. deep; 15 ft. for lots >100 ft. deep			none for industrial or commercial uses; same as R5 zone for residential uses; (5)	
M2	**Light Industrial** M1 and MR2 uses, Additional Industrial Uses, Storage Yards, Animal Keeping, Enclosed Composting, no R Zone Uses			none	same as R5 zone for residential uses (5)			
M3	**Heavy Industrial** M2 Uses, any Industrial I Uses, Nuisance Type Uses 500 ft. from any Other Zone, no R Zone Uses				none		none	

Loading Space: Institutions, and every building where lot abuts an alley. Minimum loading space is 400 sq. ft.; additional space for buildings > 50,000 sq. ft. of floor area. None for apartment buildings < 30 units, in accordance with Section 12.21 C 6 of the Zoning Code.

Parking. See separate parking handout.

Zone	Use	Maximum Height		Required yards			Minimum Area Per Lot/ Unit	Min. LotWidth
		Stories	Feet	Front	Side	Rear		
Parking								
P	**Automobile Parking– Surface and Underground** Surface Parking; Land in a P Zone may also be Classified in A or R Zone	unlimited (8)		10 ft. in combination with an A or R Zone; otherwise none	none		none, unless also in an A or R Zone	
PB	**Parking Building** P Zone Uses, Automobile Parking Within aBuilding			0 ft., 5 ft., or 10 ft., depending on zoning frontage and zoning across the street	5 ft. + 1 ft. each story above 2nd if abutting or across street and frontage in A or R Zone	5 ft. + 1 ft. each story above 2nd if abutting A or R Zone	none	

Zone	Use	Maximum Height		Required yards			Minimum Area Per Lot/ Unit	Min. Lot Width
		Stories	Feet	Front	Side	Rear		
Open Space/ Public Facilities/Submerged Lands								
OS	**Open Space** Parks and Recreation Facilities, Nature Reserves, Closed Sanitary Landfill Sites, Public Water Supply Reservoirs, Water Conservation Areas	none		none			none	
PF	**Public Facilities** Agricultural Uses, Parking Under Freeways, Fire and Police Stations, Government Buildings, Public Libraries, Post Offices, Public Health Facilities, Public Elementary and Secondary Schools							
SL	**Submerged Lands** Navigation, Shipping, Fishing, Recreation							

(1) “H” Hillside areas may alter these requirements in the RA-H or RE-H zones. Subdivisions may be approved with smaller lots, provided larger lots are also included. Section 17.05 H 1 of the Zoning Code.
(2) Section 12.08.3 B 1 of the Zoning Code.
(3) Section 12.08.3 C 2 and 3 of the Zoning Code.
(4) Section 12.09.5 C of the Zoning Code. For 2 or more lots the interior side yards may be eliminated, but 4 ft. is required on each side of the grouped lots.
(5) Section 12.17.5 B 9 (a). Dwelling considered as accessory to industrial use only (watchman or caretaker including family.)
(6) Height, yard and parking requirements for single family dwellings may be governed by the Hillside Ordinance, Section 12.21 A 17 of the Zoning Code.
(7) Side yard requirements for single family dwellings not in Hillside Areas or Coastal Zone may be governed by the “Big House” Ordinance, ord. 169,775, which has been codified in the yard requirements sections for the relevant zones.

(8) Height District (Section 12.21.1 of the Zoning Code) [see below for (9), (10)]:

Height Districts

Zone	1 ‡	1L ‡	1VL ‡	1XL ‡	2	3	4
A1§, A2§, RE40§, RZ, RMP, RW2, RD, R3, RAS3	45' 3:1 FAR		45' 3 stories † 3:1 FAR	30' 2 stories † 3:1 FAR	6 stories for RD,RAS3 and R3†; otherwise 6:1 FAR	6 stories for RD,RAS3 and R3†; otherwise 10:1 FAR	6 stories for RD,RAS3 and R3†; otherwise 13:1 FAR
RE11 §, RE15 §, RE20 §, RA § *	36' 3:1 FAR		36' 3 stories † 3:1 FAR		6:1 FAR	10:1 FAR	13:1 FAR
R1§, R2, RS §, RE9 § *	33' 3:1 FAR		33' 3 stories † 3:1 FAR				
PB	none 2 stories	75' 2 stories	45' 2 stories	30' 2 stories	none 6 stories	none 10 stories	none 13 stories
R4, RAS4, R5	none 3:1 FAR	75' 6 stories † 3:1 FAR	45' 3 stories † 3:1 FAR	30' 2 stories † 3:1 FAR	none 6:1 FAR	none 10:1 FAR	none 13:1 FAR
C, M	1.5:1 FAR	75' 6 stories † 1.5:1 FAR	45' 3 stories † 1.5:1 FAR	30' 2 stories † 1.5:1 FAR	75' for CR; otherwise none 6:1 FAR	75' for CR; otherwise none 10:1 FAR	75' for CR; otherwise none 13:1 FAR
PB	2 stories	2 stories	2 stories	2 stories	6 stories	10 stories	13 stories

FAR–Floor Area Ratio
* Prevailing Height in accordance with the 3rd unnumbered paragraph of Section 12.21.1 of the Zoning Code may apply.
† Buildings used entirely for residential (and ground floor commercial in RAS zones) are only limited as to height, not stories.
‡ Floor area in height district 1 in other than C and M zones is limited to 3:1 FAR.
§ Height limited to 36' or 45' in Hillside Areas in accordance with Section 12.21 A 17 of the Zoning Code.

For **CRA** height districts, see Section 12.21.3 of the Zoning Code. For **EZ** height districts, see Section 12.21.4 for the Zoning Code. For **CSA** height districts, see Section 12.21.5 of the Zoning Code. For Century City North (**CCN**) and Century City South (**CCS**) height districts, see Section 12.21.2 of the Zoning Code and the Specific Plans.

(9) The side yard on one side of the lot may be reduced to zero provided that the remaining side yard is increased to 6 ft., in accordance with Section 12.08.1 C 2 of the Zoning Code.
(10) Specific requirements for open space, rear yards, and projections into front yards are in Section 12.08.5 C of the Zoning Code.

Transitional Height: Portions of buildings in C or M zones within certain distances of RW1 or more restrictive zones shall not exceed the following height limits, in accordance with Section 12.21.1 A 10 of the Zoning Code:

Distance (ft)	**Height** (ft)
0–49	25
50–99	33
100–199	61

Zone Prefixes (Section 12.32 of the Zoning Code)

(T), [T], T	Tentative Zone Classification	City Council requirements for public improvements as a result of a zone change–see Council File
(Q), [Q], Q	Qualified Classification	Restrictions on property as a result of a zone change, to ensure compatibility with surrounding property
D	Development Limitation	Restricts heights, floor area ratio, percent of lot coverage, building setbacks

Supplemental Use Districts–to regulate uses which cannot adequately be provided for in the Zoning Code (Section 13.00 of the Zoning Code)

CA	Commercial and Artcraft
CDO	Community Design Overlay
FH	Fence Height
G	Surface Mining
K	Equinekeeping
MU	Mixed Use
O	Oil Drilling
POD	Pedestrian Oriented District
RPD	Residential Planned Development
S	Animal Slaughtering
SN	Sign

Other Zoning Designations

ADP	Alameda District Specific Plan
CCS	Century City South Studio Zone
CSA	Centers Study Area
CW	Central City West Specific Plan
GM	Glencoe/Maxella Specific Plan
HPOZ	Historic Preservation Overlay Zone
LASED	LA Sports & Entertainment S.P.
OX	Oxford Triangle Specific Plan
PKM	Park Mile Specific Plan
PV	Playa Vista Specific Plan
WC	Warner Center Specific Plan

THIS SUMMARY IS ONLY A GUIDE. DEFINITIVE INFORMATION SHOULD BE OBTAINED FROM THE ZONING CODE ITSELF AND FROM CONSULTATION WITH THE DEPARTMENT OF BUILDING AND SAFETY.

OFFICE OF HISTORIC RESOURCES
Los Angeles Department of City Planning
City Hall • 200 N. Spring Street, Room 559 • Los Angeles, CA 90012

MINIMUM REQUIREMENTS FOR HISTORICAL RESOURCES STUDIES, SURVEYS, AND ASSESSMENT REPORTS

All studies, surveys, and assessment reports for historical resources in compliance with the California Environmental Quality (CEQA) review process must include the following:

1. Assessment of Significance and Eligibility Evaluation for individual resources and historic districts as appropriate for:
   - Listing in the National Register of Historic Places; and
   - Listing in the California Register of Historical Resources; and
   - Local listing per Chapter 9, Division 22 (Cultural Heritage Ordinance) of the Los Angeles Administrative Code; and
   - Local listing per Section 12.20.3 (Historic Preservation Overlay Zone) of the Los Angeles Municipal Code

   Findings of SurveyLA, the Citywide Historic Resources Survey, shall be consulted for all evaluations. (http://www.preservation.lacity.org/surveyla-field-survey-findings-and-reports)

   Assessments of significance shall utilize relevant historic contexts/themes and eligibility standards identified in the Los Angeles' Citywide Historic Context Statement and used for SurveyLA. (http://www.preservation.lacity.org/news/surveyla-historic-context-summary-tables-published)

2. Completion of the appropriate State of California Historical Resources Inventory DPR forms. Photographs submitted in digital format.

NOTE: If a property is already designated or has been determined eligible for designation through a previous survey, then Nos. 1 and 2 are not required. The final report discussed under No. 5 below should summarize property significance per the designation or previous survey evaluation.

3. Evaluation of a proposed project's impacts to designated or eligible historical resource(s) on the project site or in the vicinity.

4. Recommendation of mitigation measures where potential adverse impacts have been identified.

   For additional guidance regarding analysis of historic resources and potential impacts from the proposed project, please refer to the guidelines set forth within "Chapter D: Cultural Resources" of the Los Angeles CEQA Thresholds Guide. (http://environmentla.com/programs/Thresholds/D-Cultural%20Resources.pdf)

5. Completion of a final report to include, but not necessarily be limited to:
   a. Executive Summary
   b. Project location (with map)
   c. Project Description
   d. Current setting
   e. Summary of research and field methodology
   f. Summary of the Records Search from the South Central Coastal Information Center at California State University, Fullerton
   g. Architectural description of evaluated resources to include construction history and alterations over time
   h. Area history
   i. Statement of significance/historic context for evaluated resources
   j. Evaluation of significance in accordance with the criteria listed in (1) above
   k. Photographs of evaluated resource(s) to include contextual views
   l. Discussion of potential impacts of the project to evaluated resource(s)
   m. Proposed mitigation measures
   n. Recommendations
   o. List of sources used
   p. Resumes of authors/contributors to include how they meet the Secretary of the Interior's Professional Qualification Standards for Historic Preservation
   q. DPR forms

Submittal Requirements: submit to the Planning Department for consideration:
- Two (2) hard copies of the final report, and
- Two (2) hard copies (original unbound) of the DPR forms, and
- One (1) electronic copy of the report and forms (PDF format)

Work Standards: All work shall be completed in accordance with the Secretary of the Interior's Standards and Guidelines for historic preservation including standards for planning, identification, evaluation, registration and historical documentation.

Professional Standards: Persons completing property evaluations must meet the Secretary of the Interior's Professional Qualification Standards for Historic Preservation (48 CFR 44716). http://www.nps.gov/history/local-law/arch_stnds_9.htm

HISTORICAL DESIGNATION

San Pedro

Historic Districts, Planning Districts and Multi-Property Resources - July 2012

SurveyLA

Name: Rancho San Pedro Public Housing

Description:

Public housing project located at 275 First Street. Composed of multiple two-story rectangular apartment buildings arranged in a landscaped setting. Features include superblock site plan, internal street pattern, apartment buildings (four designs), an administration building, park and children's play areas, landscaping with lawns and mature trees, paved sidewalks, and surface parking.

Significance:

One of the first ten public housing projects in Los Angeles. Constructed in 1941-1942 and designed by a collaboration of architects including Reginald D. Johnson, A.C. Zimmerman, H. Roy Kelley, and James R. Friend. Originally used to house defense industry workers and converted to public housing after World War II.

Context 1:

Context:	Residential Development and Suburbanization, 1850-1980
Sub context:	Multi-Family Residential Development, 1910-1980
Theme:	Multi-Family Residential, 1910-1980
Sub theme:	Public & Defense Housing, 1939-1945
Property type:	Residential
Property sub type:	Public Housing Complex
Criteria:	A/C; 1/3; 1/3
Status code:	3S;3CS;5S3
Reason:	One of the first ten public housing projects in Los Angeles.

Rancho San Pedro Public Housing Historic District

Resource Report Map

Resource Significance

(evaluation)

Evaluation Details

Context/Theme

Context/Theme Type;
Residential Development and Suburbanization, 1850-1980;
Multi-Family Residential Development, 1910-1980;
Multi-Family Residential, 1910-1980;
Public & Defense Housing, 1939-1945;
Residential;
Public Housing Complex

Eligibility Standards

Only eight of the first ten public housing complexes constructed in the City of Los Angeles remain; therefore, alterations to the individual buildings are acceptable, provided that the overall configuration of buildings and landscape features are intact

Should retain integrity of Location, Design, Setting (must retain the relationship between the buildings and the landscape), and Feeling

Associated architectural style: Mid-Century Modern

Associated architectural style: Minimum Traditional

Buildings are generally one to two stories in height; may be three stories

Buildings are typically stucco over wood frame; may be brick

Low lot coverage, usually less than 20%, with buildings oriented around multiple courtyards or set within a larger landscape, a primary feature of the design

Mid-Century Modern architectural elements include flat or low-pitched roofs, wide overhangs, horizontal bands of flush-mounted metal-frame windows, and little or no exterior ornament

The following regulations are found in the Los Angeles Zoning Code.

DENSITY BONUS

Sec. 12.22 Exceptions – 25. Affordable Housing Incentives Density Bonus

Menu of incentives cover: yard/setback; lot coverage; lot width; FAR; height; open space; density calculation; and averaging of FAR, density, parking, open space, and permitting vehicular access.

PARKING REQUIREMENTS

Sec. 12.21 General Provisions - 4. Off Street Automobile Parking Requirements

Covers: required parking; replacement of automobile parking with bicycle parking.

Sec. 12.21 General Provisions – 16. Bicycle Parking and Shower Facilities

Covers: short and long term bicycle parking; design standards.

SEC. 12.22. EXCEPTIONS.

25. Affordable Housing Incentives - Density Bonus. (Amended by Ord. No. 179,681, Eff. 4/15/08.)

(a) Purpose. The purpose of this subdivision is to establish procedures for implementing State Density Bonus requirements, as set forth in California Government Code Sections 65915-65918, and to increase the production of affordable housing, consistent with City policies.

(b) Definitions. Notwithstanding any provision of this Code to the contrary, the following definitions shall apply to this subdivision:

Affordable Housing Incentives Guidelines - the guidelines approved by the City Planning Commission under which Housing Development Projects for which a Density Bonus has been requested are evaluated for compliance with the requirements of this subdivision.

Area Median Income (AMI) - the median income in Los Angeles County as determined annually by the California Department of Housing and Community Development (HCD) or any successor agency, adjusted for household size.

Density Bonus - a density increase over the otherwise maximum allowable residential density under the applicable zoning ordinance and/or specific plan granted pursuant to this subdivision.

Density Bonus Procedures - procedures to implement the City's Density Bonus program developed by the Departments of Building and Safety, City Planning and Housing.

Disabled Person - a person who has a physical or mental impairment that limits one or more major life activities, anyone who is regarded as having that type of an impairment or, anyone who has a record of having that type of an impairment.

Floor Area Ratio - the multiplier applied to the total buildable area of the lot to determine the total floor area of all buildings on a lot.

Housing Development Project - the construction of five or more new residential dwelling units, the addition of five or more residential dwelling units to an existing building or buildings, the remodeling of a building or buildings containing five or more residential dwelling units, or a mixed use development in which the residential floor area occupies at least fifty percent of the total floor area of the building or buildings. For the purpose of establishing the minimum number of five dwelling units, Restricted Affordable Units shall be included and density bonus units shall be excluded.

Incentive - a modification to a City development standard or requirement of Chapter I of this Code (zoning).

Income, Very Low, Low or Moderate - annual income of a household that does not exceed the amounts designated for each income category as determined by HCD or any successor agency.

Residential Hotel - any building containing six or more Guest Rooms or Efficiency Dwelling Units, which are intended or designed to be used, or are used, rented, or hired out to be occupied, or are occupied for sleeping purposes by guests, so long as the Guest Rooms or Efficiency Dwelling Units are also the primary residence of those guests, but not including any building containing six or more Guest Rooms or Efficiency Dwelling Units, which is primarily used by transient guests who do not occupy that building as their primary residence.

Residential Unit - a dwelling unit or joint living and work quarters; a mobilehome, as defined in California Health and Safety Code Section 18008; a mobile home lot in a mobilehome park, as defined in California Health and Safety Code Section 18214; or a Guest Room or Efficiency Dwelling Unit in a Residential Hotel.

Restricted Affordable Unit - a residential unit for which rental or mortgage amounts are restricted so as to be affordable to and occupied by Very Low, Low or Moderate Income households, as determined by the Housing and Community Investment Department. (Amended by Ord. No. 182,718, Eff. 10/30/13.)

Senior Citizens - individuals who are at least 62 years of age, except that for projects of at least 35 units that are subject to this subdivision, a threshold of 55 years of age may be used, provided all applicable City, state and federal regulations are met.

Senior Citizen Housing Development- a Housing Development Project for senior citizens that has at least 35 units.

Specific Adverse Impact - a significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete.

Transit Stop/Major Employment Center - any one of the following:

(1) A station stop for a fixed transit guideway or a fixed rail system that is currently in use or whose location is proposed and for which a full funding contract has been signed by all funding partners, or one for which a resolution to fund a preferred alignment has been adopted by the Los Angeles County Metropolitan Transportation Authority or its successor agency; or

(2) A Metro Rapid Bus stop located along a Metro Rapid Bus route; or, for a Housing Development Project consisting entirely of Restricted Affordable Units, any bus stop located along a Metro Rapid Bus route; or

(3) The boundaries of the following three major economic activity areas, identified in the General Plan Framework Element: Downtown, LAX and the Port of Los Angeles; or

(4) The boundaries of a college or university campus with an enrollment exceeding 10,000 students.

(c) Density Bonus. Notwithstanding any provision of this Code to the contrary, the following provisions shall apply to the grant of a Density Bonus for a Housing Development Project:

(1) For Sale or Rental Housing with Low or Very Low Income Restricted Affordable Units. A Housing Develop- ment Project that includes 10% of the total units of the project for Low Income households or 5% of the total units of the project for Very Low Income households, either in rental units or for sale units, shall be granted a minimum Density Bonus of 20%, which may be applied to any part of the Housing Development Project. The bonus may be increased according to the percentage of affordable housing units provided, as follows, but shall not exceed 35%:

Percentage Low Income Units	Percentage Density Bonus
10	20
11	21.5
12	23
13	24.5
14	26
15	27.5
16	29
17	30.5
18	32
19	33.5
20	35

Percentage Very Low Income Units	Percentage Density Bonus
5	20
6	22.5
7	25
8	27.5
9	30
10	32.5
11	35

(2) For Sale or Rental Senior Citizen Housing (Market Rate). A Senior Citizen Housing Development or a mobile- home park that limits residency based on age requirements for housing for older persons pursuant to California Civil Code Sections 798.76 or 799.5 shall be granted a minimum Density Bonus of 20%.

(3) (Deleted by Ord. No. 181,142, Eff. 6/1/10.)

(4) A Common Interest Develop-ment That Includes Moderate Income Restricted Affordable Units. (Amended by Ord. No. 181,142, Eff. 6/1/10.) A common interest development as defined in Section 1351 of the Civil Code that includes at least 10% of its units for Moderate Income households shall be granted a minimum Density Bonus of 5%. The bonus may be increased according to the percentage of affordable housing units provided, as follows, but shall not exceed 35%:

Percentage Moderate Income Units	Percentage Density Bonus
10	5
11	6
12	7
13	8
14	9
15	10
16	11
17	12
18	13
19	14
20	15
21	16
22	17
23	18
24	19
25	20
26	21
27	22
28	23
29	24
30	25
31	26
32	27
33	28
34	29
35	30
36	31
37	32
38	33
39	34
40	35

(5) Land Donation. An applicant for a subdivision, parcel map or other residential development approval that donates land for housing to the City of Los Angeles satisfying the criteria of California Government Code Section 65915(h)(2), as verified by the Department of City Planning, shall be granted a minimum Density Bonus of 15%.

(6) Child Care. A Housing Development Project that conforms to the requirements of Subparagraphs (1), (2), (3), (4) or (5) of this paragraph and includes a child care facility located on the premises of, as part of, or adjacent to, the project, shall be granted either of the following:

(i) an additional Density Bonus that is, for purposes of calculating residential density, an increase in the floor area of the project equal to the floor area of the child care facility included in the project.

(ii) An additional Incentive that contributes significantly to the economic feasibility of the construction of the child care facility.

(7) Fractional Units. In calculating Density Bonus and Restricted Affordable units, any number resulting in a fraction shall be rounded up to the next whole number.

(8) Other Discretionary Approval. Approval of Density Bonus units shall not, in and of itself, trigger other discretionary approvals required by the Code.

(9) Other Affordable Housing Subsidies. Approval of Density Bonus units does not, in and of itself, preclude projects from receipt of other government subsidies for affordable housing.

(10) Additional Option for Restricted Affordable Units located near Transit Stop/Major Employment Center. In lieu of providing the requisite number of Restricted Affordable Units in a Housing Development Project located in or within 1,500 feet of a Transit Stop/Major Employ- ment Center that would otherwise be required under this subdivision, an applicant may opt to provide a greater number of smaller units, provided that:

(i) the total number of units in the Housing Development Project including Density Bonus units does not exceed the maximum permitted by this subdivision;

(ii) the square footage of the aggregate smaller Restricted Affordable units is equal to or greater than the square footage of the aggregate Restricted Affordable Units that would otherwise be required under this subdivision;

(iii) the smaller Restricted Affordable units are distributed throughout the building and have proportionally the same number of bedrooms as the market rate units; and

(iv) the smaller Restricted Affordable Units meet the minimum unit size requirements established by the Low Income Housing Tax Credit Program as administered by the California Tax Credit Allocation Committee (TCAC).

(11) Common Interest Development with Low or Very Low Income restricted Affordable Units for Rent. In a common interest development as defined in California Government Code Section 1351, such as a condominium, Restricted Affordable Units may be for sale or for rent.

(12) Condominium Conversion. A Housing Development Project that involves the conversion of apartments into condominiums and that includes 33 percent of its units restricted to households of Low or Moderate income or 15 percent of its units restricted to households of Very Low Income shall be granted a Density Bonus of 25 percent or up to three incentives as provided in Paragraph (e) of this subdivision.

(d) Parking in a Housing Development Project. Required parking spaces for a Housing Development Project that is for sale or for rent and qualifies for a Density Bonus and complies with this subdivision may be provided by complying with whichever of the following options requires the least amount of parking: applicable parking provisions of Section 12.21 A.4. of this Code, or Parking Option 1 or Parking Option 2, below. Required parking in a Housing Development Project that qualifies for a Density Bonus may be sold or rented separately from the dwelling units, so that buyers and tenants have the option of purchasing or renting a unit without a parking space. The separate sale or rental of a dwelling unit and a parking space shall not cause the rent or purchase price of a Restricted Affordable Unit (or the parking space) to be greater than it would otherwise have been.

(1) Parking Option 1. Required parking for all residential units in the Housing Development Project (not just the restricted units), inclusive of handicapped and guest parking, shall be reduced to the following requirements:
(i) For each Residential Unit of 0-1 bedroom: 1 on-site parking space.

(ii) For each Residential Unit of 2-3 bedrooms: 2 on-site parking spaces.

(iii) For each Residential Unit of 4 or more bedrooms: 2-1/2 on-site parking spaces.

(2) Parking Option 2. Required parking for the Restricted Affordable Units only shall be reduced as set forth in Subparagraphs (i) and (ii) below. Required parking for all other non-restricted units in the Housing Development Project shall comply with applicable provisions of Section 12.21 of this Code.

(i) One parking space per Restricted Affordable Unit, except:

a. 0.5 parking space for each dwelling unit restricted to Low or Very Low Income Senior Citizens or Disabled Persons; and/or

b. 0.25 parking space for each Restricted Affordable Unit in a Residential Hotel.

(ii) Up to 40% of the required parking for the Restricted Affordable Units may be provided by compact stalls.

(e) Incentives.

(1) In addition to the Density Bonus and parking options identified in Paragraphs (c) and (d) of this subdivision, a Housing Development Project that qualifies for a Density Bonus shall be granted the number of Incentives set forth in the table below.

Number of Incentives	Required Percentage* of Units Restricted for Very Low Income Households		Required Percentage* of Units Restricted for Low Income Households		Required Percentage* of Units Restricted for Moderate Income Households (For Sale Only)
One Incentive	5%	or	10%	or	10%
Two Incentives	10%	or	20%	or	20%
Three Incentives	15%	or	30%	or	30%

* Excluding Density Bonus units.

(2) To be eligible for any on-menu incentives, a Housing Development Project (other than an Adaptive Reuse project) shall comply with the following:

(i) The facade of any portion of a building that abuts a street shall be articulated with a change of material or with a break in plane, so that the facade is not a flat surface.

(ii) All buildings must be oriented to the street by providing entrances, windows, architectural features and/or balconies on the front and along any street-facing elevations.

(iii) The Housing Development Project shall not be a contributing structure in a designated Historic Preservation Overlay Zone and shall not be on the City of Los Angeles list of Historical-Cultural Monuments.

(iv) The Housing Development Project shall not be located on a substandard street in a Hillside Area or in a Very High Fire Hazard Severity Zone as established in Section 57.4908 of this Code.

(f) Menu of Incentives. Housing Development Projects that meet the qualifications of Paragraph (e) of this subdivision may request one or more of the following Incentives, as applicable:

(1) Yard/Setback. Up to 20% decrease in the required width or depth of any individual yard or setback except along any property line that abuts an R1 or more restrictively zoned property provided that the landscaping for the Housing Development Project is sufficient to qualify for the number of landscape points equivalent to 10% more than otherwise required by Section 12.40 of this Code and Landscape Ordinance Guidelines "O."

(2) Lot Coverage. Up to 20% increase in lot coverage limits, provided that the landscaping for the Housing Development Project is sufficient to qualify for the number of landscape points equivalent to 10% more than otherwise required by Section 12.40 of this Code and Landscape Ordinance Guidelines "O".

(3) Lot Width. Up to 20% decrease from a lot width requirement, provided that the landscaping for the Housing Development Project is sufficient to qualify for the number of landscape points equivalent to 10% more than otherwise required by Section 12.40 of this Code and Landscape Ordinance Guidelines "O".

(4) Floor Area Ratio.

(i) A percentage increase in the allowable Floor Area Ratio equal to the percentage of Density Bonus for which the Housing Development Project is eligible, not to exceed 35%; or

(ii) In lieu of the otherwise applicable Floor Area Ratio, a Floor Area Ratio not to exceed 3:1, provided the parcel is in a commercial zone in Height District 1 (including 1VL, 1L and 1XL), and fronts on a Major Highway as identified in the City's General Plan, and

a. the Housing Development Project includes the number of Restricted Affordable Units sufficient to qualify for a 35% Density Bonus, and

b. 50% or more of the commercially zoned parcel is located in or within 1,500 feet of a Transit Stop/Major Employ- ment Center.

A Housing Development Project in which at least 80% of the units in a rental project are Restricted Affordable Units or in which 45% of the units in a for-sale project are Restricted Affordable Units shall be exempt from the requirement to front on a Major Highway.

(5) Height. A percentage increase in the height requirement in feet equal to the percentage of Density Bonus for which the Housing Development Project is eligible. This percentage increase in height shall be applicable over the entire parcel regardless of the number of underlying height limits. For purposes of this subparagraph, Section 12.21.1 A.10. of this Code shall not apply.

(i) In any zone in which the height or number of stories is limited, this height increase shall permit a maximum of eleven additional feet or one additional story, whichever is lower, to provide the Restricted Affordable Units.

(a) No additional height shall be permitted for that portion of a of a building in a Housing Development Project that is located within fifteen feet of a lot classified in the R2 Zone.

(b) For each foot of additional height the building shall be set back one horizontal foot.

(ii) No additional height shall be permitted for that portion of a building in a Housing Development Project that is located within 50 feet of a lot classified in an R1 or more restrictive residential zone.

(iii) No additional height shall be permitted for any portion of a building in a Housing Development Project located on a lot sharing a common lot line with or across an alley from a lot classified in an R1 or more restrictive zone. This prohibition shall not apply if the lot on which the Housing Development Project is located is within 1,500 feet of a Transit Stop but no additional height shall be permitted for that portion of a building in the Housing Development Project that is located within 50 feet of a lot classified in an R1 or more restrictive residential zone.

(6) Open Space. Up to 20% decrease from an open space requirement, provided that the landscaping for the Housing Development Project is sufficient to qualify for the number of landscape points equivalent to 10% more than otherwise required by Section 12.40 of this Code and Landscape Ordinance Guidelines "O".

(7) Density Calculation. The area of any land required to be dedicated for street or alley purposes may be included as lot area for purposes of calculating the maximum density permitted by the underlying zone in which the project is located.

(8) Averaging of Floor Area Ratio, Density, Parking or Open Space, and permitting Vehicular Access. A Housing Development Project that is located on two or more contiguous parcels may average the floor area, density, open space and parking over the project site, and permit vehicular access from a less restrictive zone to a more restrictive zone, provided that:

(i) the Housing Development Project includes 11% or more of the units as Restricted Affordable Units for Very Low Income households, or 20% of the units for Low Income households, or 30% of the units for Moderate Income households; and

(ii) the proposed use is permitted by the underlying zone(s) of each parcel; and

(iii) no further lot line adjustment or any other action that may cause the Housing Development Project site to be subdivided subsequent to this grant shall be permitted.

CPTED GUIDELINES

CRIME PREVENTION THROUGH ENVIRONMENTAL DESIGN (CPTED)

In accordance with Policy LU4.1 of the San Pedro Community Plan, redevelopment of Rancho San Pedro should be coordinated with LAPD guidelines to include design features that reduce the incidence of criminal activity. These design guidelines from the City of Los Angeles CPTED are most relevant to the improvement of Rancho San Pedro.

THREE CPTED STRATEGIES

Although conceptually distinct, it is important to realize these strategies tend to overlap in practice.

Natural Surveillance

Surveillance is a design concept directed primarily at keeping intruders under observation. Therefore, the primary thrust of a surveillance strategy is to facilitate observation although it may accomplish the effect of an increased perception of risk. Surveillance strategies are typically classified as organized (e.g., police patrol), mechanical (e.g., lighting) and natural (e.g., windows).

Natural Access Control

Access control strategies are typically classified as: Organized (e.g., guards), mechanical (e.g., locks) and natural (e.g., spatial definition). This guideline will concentrate on the third strategy of natural access control. The primary thrust of an access control strategy is to deny access to a crime target and to create a perception of risk in offenders.

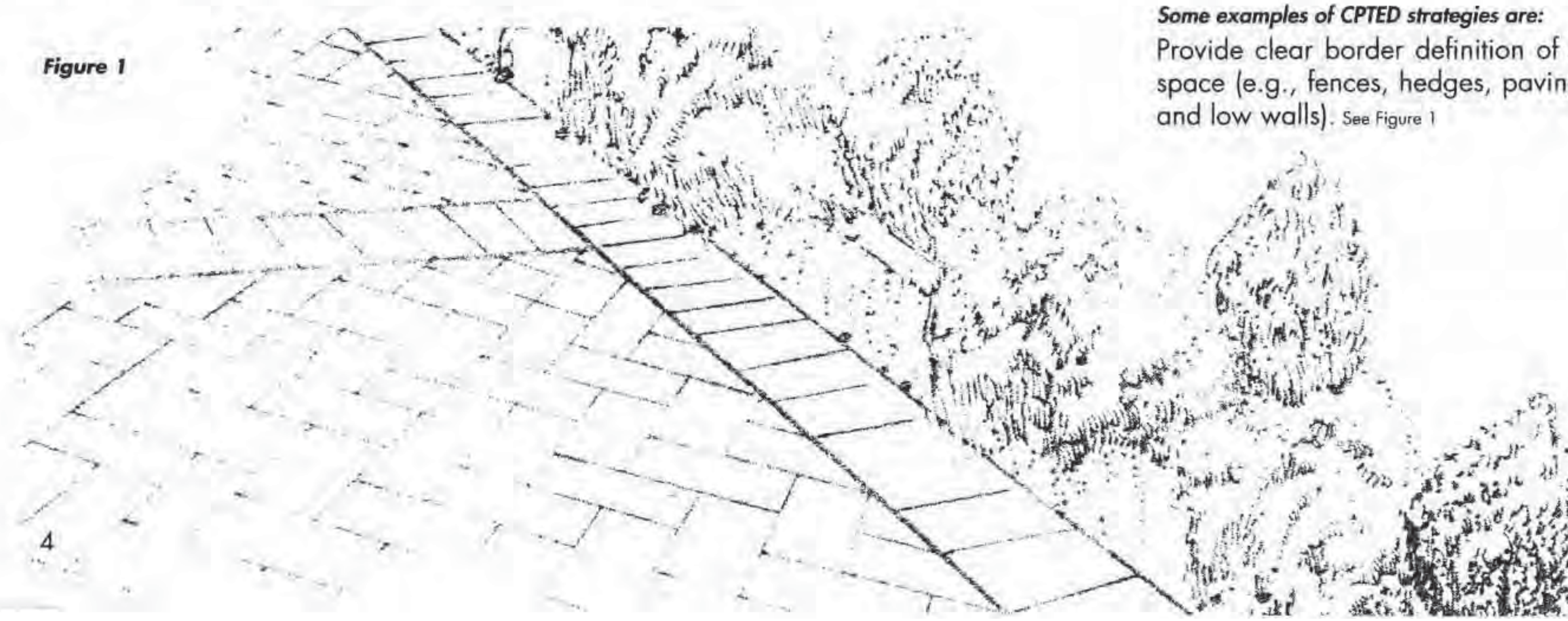
Territorial Reinforcement

The concept of territoriality suggests that physical design can contribute to a sense of territoriality. That is, physical design can create or extend a sphere of territorial influence and potential offenders perceive that territorial influence. For example: low walls, landscape and paving patterns to clearly define the space around a unit entry as belonging to (and the responsibility of) the residents of that unit.

Some examples of CPTED strategies are:

Provide clear border definition of controlled space (e.g., fences, hedges, paving patterns and low walls). See Figure 1

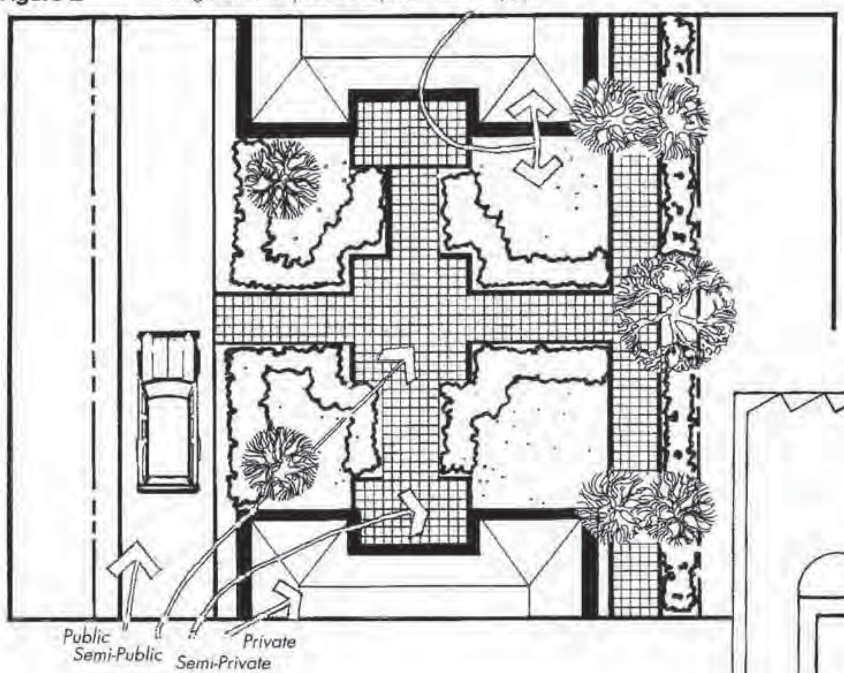
Figure 1



4

CPTED GUIDELINES

Figure 2 *Assign outdoor spcae to adjacent interior space*



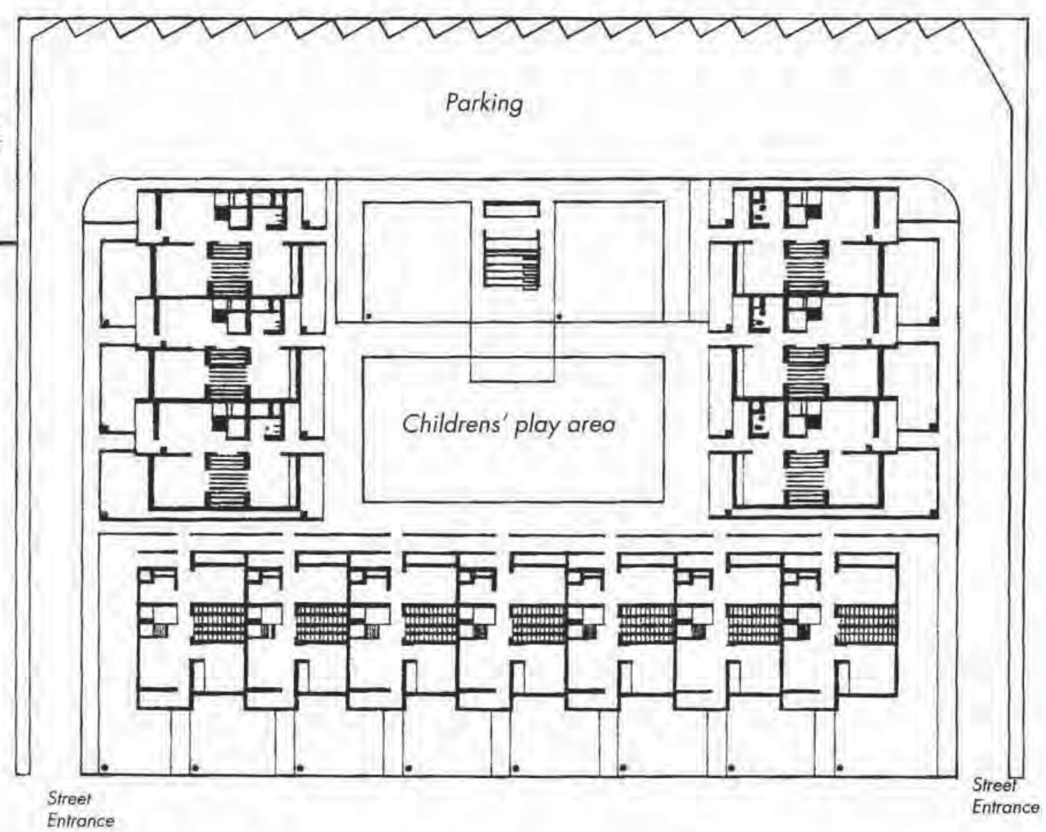
Avoid space which is unassigned. As much as possible, all space should become the clear responsibility of someone. See Figure 2

Provide clearly marked transitional zones which indicate movement from public to semi-public to private space. For example, the sidewalk represents *public space* and the main path into a residential development is *semi-private* and the path which branches to individual unit(s) becomes *semi-private* and the interior of the unit becomes *private*. See Figure 2

Relocate gathering areas to locations of natural surveillance and access control: as opposed to locations away from the view of would-be offenders. For example, all tot lots should be located within the central common area of the building with as many units as possible able to glance or actively watch children at play. See Figure 3

Place safe activities in unsafe locations to create the natural surveillance of these activities to increase the perception of safety for legitimate users and risk for offenders. For example, well used common areas (safe) may overlook a parking area (unsafe) to provide additional security to the parking area.

Figure 3



Traditional planning organization offers pedestrian access at the street and side yards; orients private family activities to the protected courtyard.

5

DESIGN RECOMMENDATIONS

NATURAL SURVEILLANCE:

Visual Connection

Provide an opportunity for people engaged in normal everyday activity to observe the space around them. Place activities where individuals engaged in those activities will become part of the natural surveillance system without any interruption to their activity. See Figure 7

Provide a good visual connection between residential and/or commercial units and public environments such as streets, common areas, parks, sidewalks, parking areas and alleys. Place actively used rooms such as kitchens, living/family room and lobbies to allow for good viewing of parking, streets and/or common areas. Managers, doormen, attendants and security personnel should have extensive views of these areas. See Figure 8

Figure 7

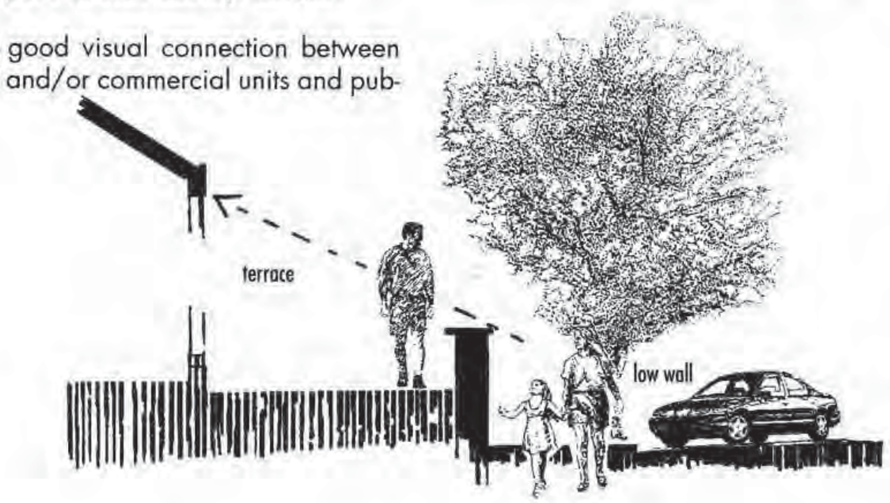
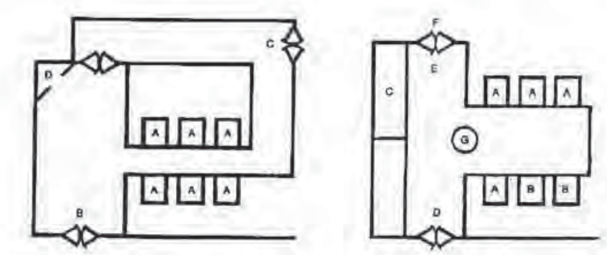


Figure 8



A. Through elevators from below ground to working floors
B. Main entrance
C. Side entrance
D. Guard booth

A. Elevators serving lobby and specified floors above
B. Elevators serving lobby and floors below
C. Rest rooms
D. Building main entrance
E. Main floor corridor
F. Controlled access/egress door
G. Receptionist/Security Guard station

8

CPTED GUIDELINES

Landscaping and Fencing
Specify thorny landscape as a natural barrier to deter unwanted entry. See Figure 13

Specify vines or planted wall coverings to deter graffiti. Avoid blank spaces which may be an invitation to graffiti vandals.

Provide landscape and fencing that do not create hiding places for criminals. Discourage crime by creating an inhospitable environment for criminals.

As fencing has become more ubiquitous, provide attractive and durable (masonry) fencing whenever possible. Consider creative solutions to fencing schemes which work aesthetically as well as functionally.

Lighting
Provide lighting systems which provide night-time vision for motorists to increase the visibility of pedestrians, other vehicles and objects (which should be seen and avoided).

Provide lighting systems which provide night-time vision for pedestrians, homeowners and business people to permit pedestrians to see one another, to see risks involved in walking at night and to reduce the risk of trip-and-fall accidents. Provide lighting systems which will enhance police ability for surveillance, patrol and pursuit.

Provide lighting systems that minimize glare, light pollution and light trespass. Where necessary, provide light transition zones.

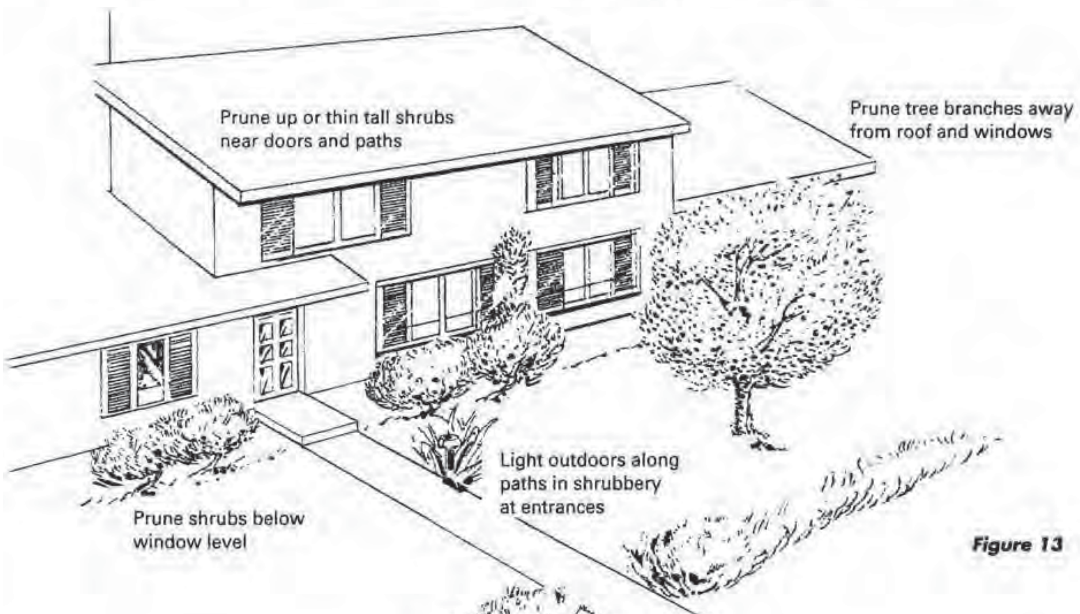
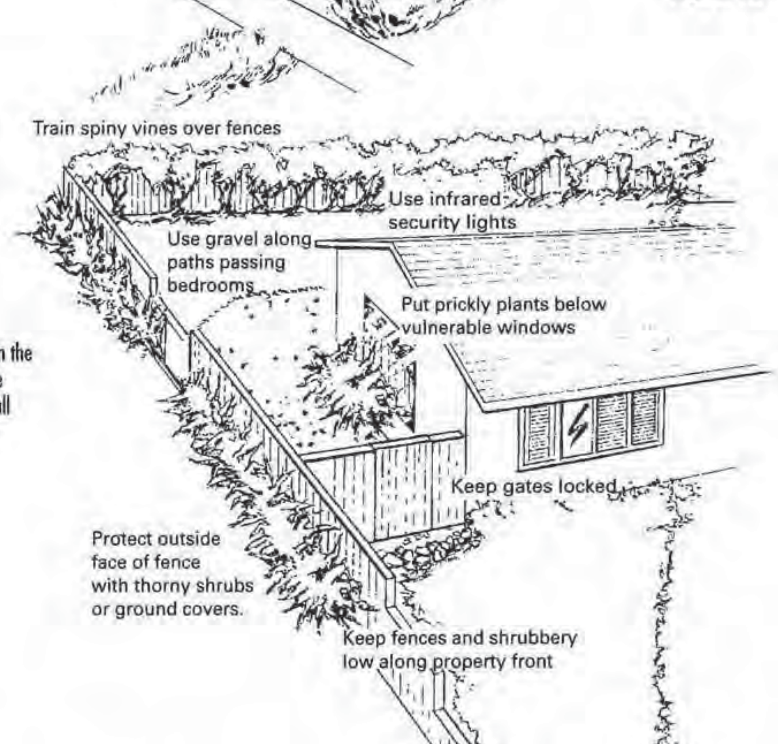


Figure 13



Drawing indicates steps to take in the garden to help secure your home against intruders. Use some or all the suggestions

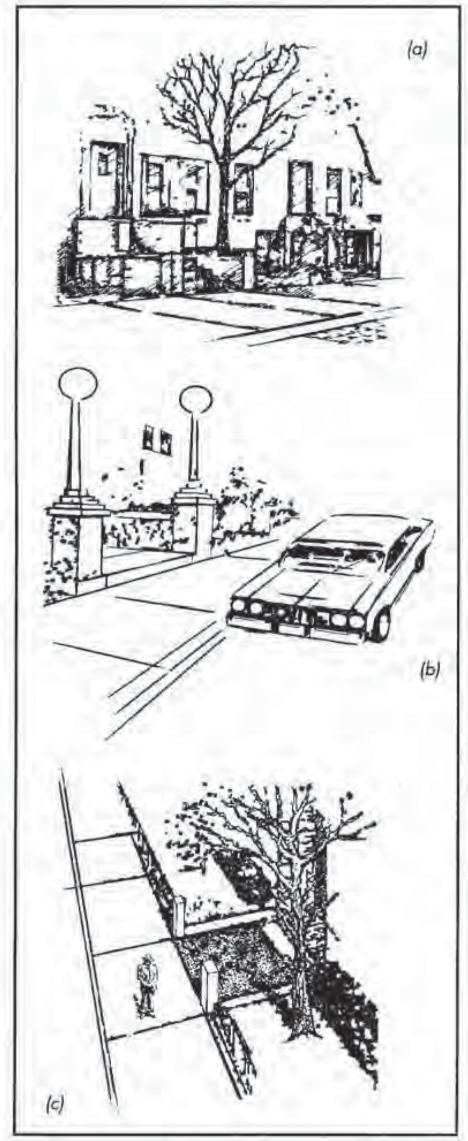


Figure 11: *Examples of symbolic barriers: (a) Change in level; (b) Lights and standards used to define transitional space; (c) low walls, posts, and change in texture used to define transition.*

10

Ground floor units may require security above and beyond the other areas in the development. Walls, fencing, deterrent landscaping and lighting may be necessary.

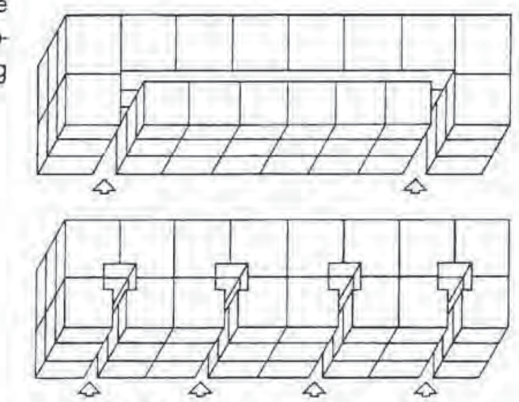


Figure 12: *Buildings of identical external dimensions. Above: with central double loaded corridor, end stairs, and two common entries serving all apartments. Below: clustered units with four separate entries and stairs.*

TERRITORIAL REINFORCEMENT:

Foster A Sense Of Ownership
People take more interest in something they own or which they feel intrinsically involved. Therefore, the environment should be designed to clearly delineate private spaces. Provide obvious defined entries, patios, balconies and terraces. Use low walls, landscape and paving patterns to delineate ownership and responsibility. See Figure 11

Create a sense of ownership to foster behavior that challenges abuse or unwanted acts in that space. Owners have a vested interest and are more likely to challenge intruders or report them to the police.

Provide real amenities in common areas so people will use them and have a stake in maintaining them. Avoid common areas which become a "no mans land".

Provide clearly defined and secure storage areas (including bicycles, outdoor childrens' toys, etc.).

Consider creating "sub-developments" within a project where people share clustered parking, entries, amenities and common areas. Avoid long corridors which are shared by all and owned by none. See Figure 12

Facilitate the successful Neighborhood Watch program. Cluster units in such a way to allow occupants to interact and see unit entries (and possibly sidewalks and streets) from within other units. Create an environment where strangers or intruders stand out and are more easily identified.

In some developments it may be appropriate to give occupants some autonomy and control over their environment. This may include devoting landscape space to tenant use and upkeep, allowing occupants to determine color, landscape and other "finish" design materials.

SMALL LOT GUIDELINES

The City of Los Angeles Small Lot Ordinance may be applicable in some redevelopment scenarios for Ranco San Pedro. The San Pedro Community Plan references Small Lot Development for Multi-family residential areas under Policies LU3.9. The following are relevant excepts from the Small Lot Design Guidelines 2014.

OVERARCHING GOALS

To ensure the creation of well-designed and compatible developments that improve the context of the built environment, the Small Lot Design Guidelines promote the following goals:

1. Create high-quality indoor and outdoor living environments for all residents.
2. Enhance the public realm.
3. Provide fee-simple home ownership opportunities for a greater number of people, at a wider range of income levels.
4. Provide solutions for infill housing.
5. Design and configure housing to be compatible with the existing neighborhood context, especially in sensitive areas. This includes areas contained within Specific Plans, Community Design Overlays (CDOs), and Historic Preservation Overlay Zones (HPOZs).
6. Prioritize the livability and market value of a project over strict density.

The Auburn Street small lot development in the Silverlake neighborhood demonstrates the Guideline's overarching goals.

2 About Small Lot Subdivisions

1. Small lot subdivisions are not condominiums. Properties are titled in fee simple, meaning they can be bought and sold just like conventional single-family homes.
2. Subdivisions are only permitted in areas zoned for multi-family housing or commercial uses for projects with up to 47 dwelling units. Projects with a greater number of units will need further review prior to accepting the applications for filing.
3. Small lot homes must be structurally independent, with no shared foundations or common walls. This also applies to the conversion of existing buildings into small lot homes, which are permitted by the Small Lot Ordinance.
4. Generally, the subdivisions will only have one dwelling unit per lot, although duplexes and triplexes are permitted.
5. The Ordinance reduces the minimum lot size and side yard requirements and eliminates requirements for conventional street frontage, allowing for flexibility to be compatible with the existing neighborhood context. This allows for the creation of more space-efficient compact homes. Small lots may be irregularly shaped, a minimum area of 600 square feet, and at least 16 feet wide.
6. A 5-foot setback is required between the subdivision and adjoining properties. There are no yard or setback requirements along alleys, streets, or between lots within the approved subdivision.
7. All structures on a lot which includes one or more dwelling units, may, taken together, occupy no more than 80 percent of the lot area, unless the tract or parcel map provides common open space equivalent to 20 percent of the lot area of each lot not meeting this provision.
8. Parking may be provided anywhere on the site, either on individual or shared lots or a separate parking garage. Communal parking areas must be accessible via the community driveway, street, or alley, and have clear pathways connecting to residential units. Tandem parking is also allowed.
9. Small lot subdivisions must be filed as a Vesting Tentative Tract Map or as an illustrated Parcel Map. Both will require supplemental site plans, building elevations, and other illustrative information.
10. Each proposed small lot subdivision must be reviewed and approved by City Staff, and is subject to public hearing and appeals.

SITE LAYOUT AND CIRCULATION GUIDELINES

Enhanced paving denotes the entryway to the Vesper Village development in Van Nuys.

Small lot developments are presented with numerous spatial challenges that require innovative design solutions. Regardless of spatial constraints, developments must strive for neighborhood compatibility and be able to fit all aspects, such as parking and driveways, adequate trash and utility locations, adequate indoor and outdoor living space, within the project site.

Builders and designers should consider all possible configurations that take advantage of the site topography in providing sufficient open space, and consider how characteristics of the street and adjacent structures affect the overall form and orientation of the proposed development.

1. Configure homes to front public streets, primary entryway, circulation walkways, and open spaces, rather than driveways.
2. For homes not adjacent to the public street, provide pedestrian circulation in the form of private walkways or clearly delineated paths of travel from the sidewalk to their entryway.
3. Maximize green space while minimizing the total amount of driveway space.
4. Where possible, utilize alleyways for vehicular access.
5. Take advantage of existing topography and natural features (i.e. existing trees) to maintain appropriate grade levels consistent with surrounding structures.
6. Homes fronting a public street should have the primary entrance and main windows facing the street.
7. Enhanced paving should mark the pedestrian and vehicular entries of complexes to provide a sense of arrival.

SITE LAYOUT AND CIRCULATION GUIDELINES (CONTINUED)

8. Design floor plan layouts in relation to lot shape, width, and depth to maximize usable outdoor spaces.
9. Provide space for entry, front landing, and transitional landscaping between the public sidewalk and private entryway.
10. Provide direct paths of travel for pedestrian destinations within the development. Whenever relevant, create primary entrances for pedestrians that are safe, easily accessible, and a short distance from transit stops.
11. When multiple units share a common driveway that is lined with individual garages, provide distinguishable pedestrian paths to connect parking areas to articulated individual entries.
12. Vary building placement to increase variation in facades and more articulated building edges.

The Cullen Street development demonstrates a side access driveway with the front unit having a strong relationship to the street.